



INDUSTRIAL DISTRICTS

Rethinking Strategies for Adaptive Reuse

**DETROIT
FUTURE
CITY**

April 2019

In this report, Detroit Future City examines a range of ideas for encouraging the adaptive reuse and redevelopment of Detroit's vacant industrial buildings and underutilized industrial districts. Strategies are considered at the scale of the individual site, the industrial district and the city-wide system of industrial property.

2990 WEST GRAND BLVD
DETROIT, MI 48202
313-259-4407
DETROITFUTURECITY.COM

INTRODUCTION

Detroit has a long and rich history as a manufacturing city and industrial businesses continue to play an important role in the city's economy today. However, changes in the industrial sector over many decades have also resulted in a different kind of industrial legacy – leaving hundreds of vacant industrial buildings and sites spread throughout the city. Recent estimates put the total number of vacant industrial properties at more than 800, covering nearly 6 square miles of land in the city.

The forces of globalization, suburbanization, and automation all contributed to the dramatic decline of manufacturing jobs within the city. Detroit is now competing with locations around the region and around the globe to attract new industrial business investment.

Most of the existing vacant buildings are no longer suited to present-day industrial use. Two thirds of vacant industrial buildings are smaller than 10,000 square feet in size and property ownership is diffused. Site contamination and deteriorated building conditions often complicate redevelopment and drive up the cost of reuse.

There has been some recent success at attracting new industrial development to Detroit, such as auto supplier [Flex-N-Gate](#), which opened a new factory on the city's near-east-side in 2018. [Fiat Chrysler's announcement](#) in February 2019 about opening a new auto assembly plant on Detroit's east side is also an exciting, though rare, development. Large manufacturers are typically seeking cleared land on which to build or turn-key facilities that can be made available quickly and easily. Detroit Mayor Mike Duggan's administration has placed a priority on increasing Detroit's competitiveness to attract this segment of the industrial market, but the number of sites that currently meet industry criteria is limited.

The scale of industrial vacancy and the diverse conditions of individual properties suggests that a variety of strategies, including the adaptive reuse of existing buildings, will be needed to deal with the full extent of vacant industrial property in the city.

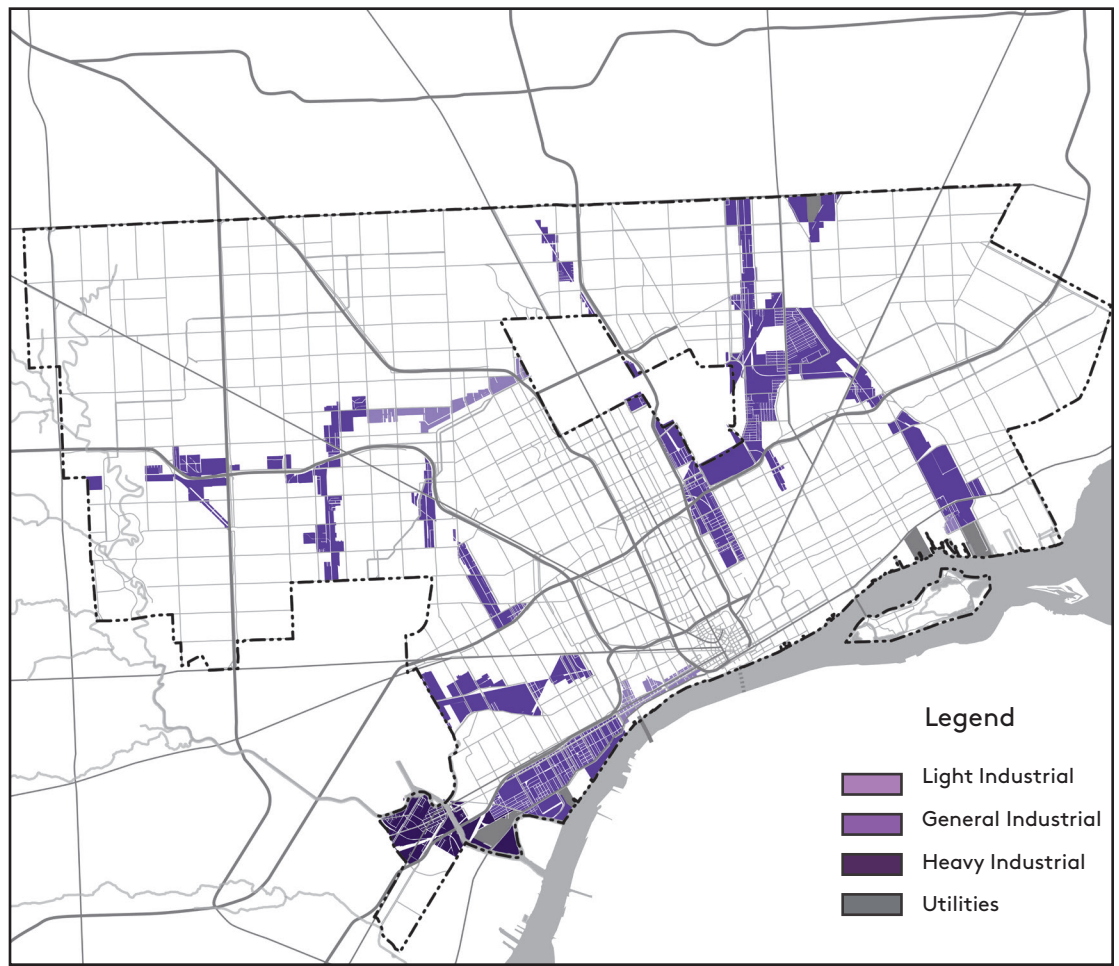
ADAPTIVE REUSE OF INDUSTRIAL BUILDINGS

To put vacant industrial property back into productive use, investment will be required at three scales: the building, the district and the system.

For an individual site, the key to successful adaptive reuse is the identification of a new use supported by a feasible financial structure that supports it. There are many examples, both locally and globally, of the adaptation of former industrial properties for new uses, including housing, office buildings, museums, restaurants – even parks and open space. These examples include both commercial and non-commercial uses. Housing and office projects are generally developed as commercial real estate projects. Park and museum projects may be public works requiring a high level of public and philanthropic support.

Older factories, mills and warehouses often have architectural features and historical character that attract new residents and businesses and contribute to authentic urban neighborhoods. Preservation and reuse of existing buildings can therefore have economic as well as architectural and cultural value.

Detroit's industrially zoned property is found primarily along historic rails corridors and the West Riverfront area.



In the 19th and early 20th centuries, industry was often located within the heart of the city or along its waterfront. The desirability of these locations has helped stimulate redevelopment of historic industrial structures into non-industrial uses.

Conversion to loft apartments is a common reuse, especially for multi-story, historic industrial building in desirable locations. Detroit has several examples of this type of development including the [6th Street Lofts](#) and [Grinnell Place Lofts](#) in Corktown, the Willy's Overland Lofts in Midtown and the Lofts at Rivertown.

Office and mixed-use space are also common. The Platform, a Detroit-based developer, recently broke ground on the [Chroma](#), which will convert a multi-story warehouse building into offices, co-working space and a two-story food-hall in the Milwaukee Junction neighborhood.

There are also examples of more unique structures for more unique uses.

In Bethlehem, PA the site of [a former Bethlehem Steel factory](#) has been converted into an art and performance center, preserving a portion of the original factory as a dramatic design feature and historical artifact. A similar strategy was employed at [Gas Works Park](#) in Seattle for a public city park and at [Duisburg-Nord Landscape Park](#) in the Ruhr Valley of West Germany. Decommissioned power plants have become a frequent choice for adaptive reuse projects – including such diverse projects as the [Tate Modern Museum](#) in London and the [ProMedica corporate headquarters](#) in Toledo, OH.

LARGE-SCALE REDEVELOPMENT

In some cases, an individual industrial building or site may cover hundreds of acres and encompass multiple buildings. Often, these large factory sites are redeveloped as business parks, combining historic building reuse and new development. For example, a former [naval yard in Philadelphia](#) has been redeveloped as a 1200-acre mixed-use business campus housing more than 150 businesses, across the office, research and manufacturing sectors. Similar naval yard redevelopment projects have been developed in [Washington, DC](#) and [Brooklyn, NY](#).

In Pittsburgh, a former steel mill site is being reimagined as [Hazelwood Green](#), a mixed-use business and innovation district consisting primarily of new development but preserving the iconic steel structure of the former steel mill building as a design feature. Also, in the Pittsburgh area, the [Regional Industrial Development Corporation](#) renovated a seven-building industrial complex, formerly occupied by Westinghouse Corporation, into the [Keystone Commons](#) industrial park. The site now houses 40 manufacturing and distribution businesses employing more than 1,100 people.

2.25 million square foot
Westinghouse Factory
now houses 40
businesses at Keystone
Commons in
Pittsburgh, PA.



Photo Credit: Regional Industrial Development Council

These projects begin to span the scale from building to district, combining some of the advantages of each. Large projects can benefit from unified land ownership, for example, while capitalizing on the dynamism of business clusters.

Large scale projects have the potential to create demand for non-industrial uses such as housing, office space, or cultural institutions on sites where no market currently exists. The [Packard Plant](#) redevelopment project on Detroit's east side is one such attempt to generate interest based on scale. However, the large size of this site (along with its severely distressed condition) is also one of the chief obstacles to redevelopment. South American investor Fernando Palazuelo purchased the property at a tax foreclosure auction in 2013 and announced ambitious plans for redevelopment. So far, these plans are mostly yet to materialize.

As noted above, site size can be both an advantage and a disadvantage for redevelopment. Large sites can have an out-size impact, but also may be the most difficult to get off the ground. The Detroit Planning and Development Department has been pioneering an approach it calls "[tactical preservation](#)" to reutilize a portion of a large building while preserving the remainder of the building for future development. This approach recognizes that demand may not exist to reuse an entire building today, but that partial reuse may be necessary to stabilize and preserve the building as a whole. This approach could have applicability for adaptive reuse within vacant industrial areas.

INDUSTRIAL DISTRICTS

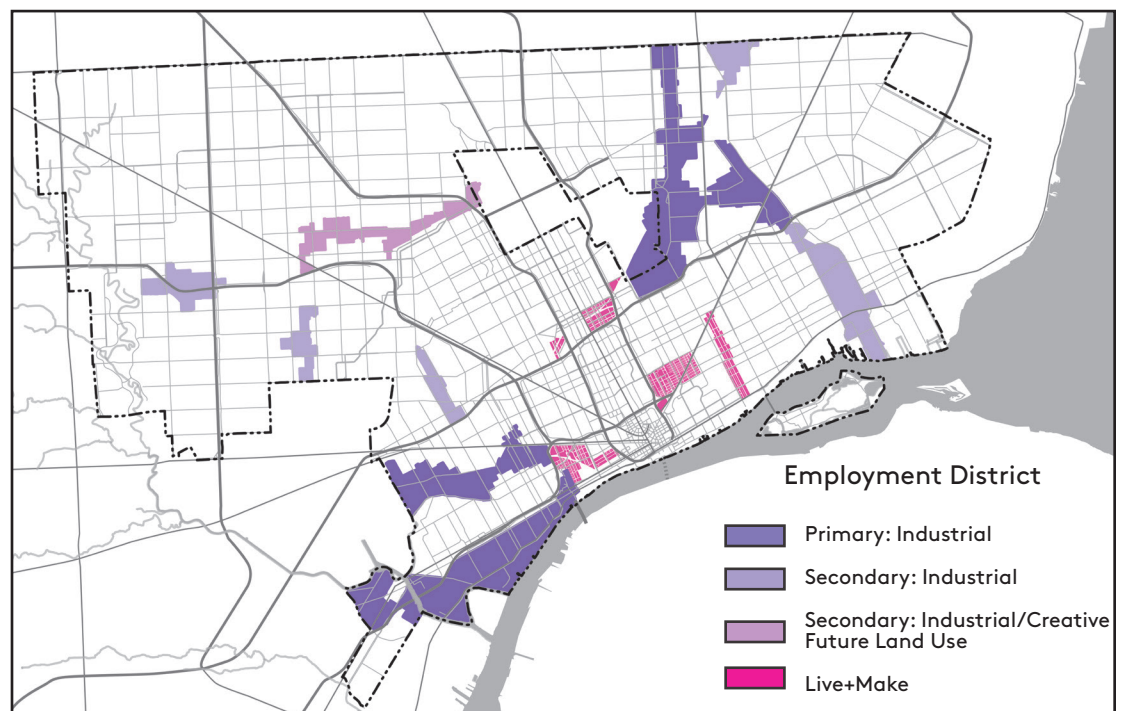
In Detroit, industrial uses developed first along the riverfront and later spread to other areas, locating primarily within and around the railway corridors that crisscross the city. The city's earliest auto manufacturers, for example, were clustered around the intersection of the Detroit, Grand Haven and Milwaukee Railroad lines in an area known as Milwaukee Junction. To this day, most of Detroit's industrially-zoned property can be found along the West Riverfront and the historic rail corridors, even where the rail lines are no longer in active use. Most of the historically industrial land along the East Riverfront has been rezoned for other uses, however.

The [Detroit Future City Strategic Framework](#) stresses the importance of economic growth in Detroit, including growth in the industrial sector. The framework identifies several distinct areas of the city, labeled as Primary and Secondary Employment Districts.

Southwest Detroit, the Mount Elliott Corridor, Corktown and the Dequindre/Eastern Market industrial areas are identified as Primary Employment Districts along with non-industrial areas such as Downtown, Midtown, and the McNichols corridor in northwest Detroit. Six additional industrial districts are identified as Secondary Employment Districts. The secondary districts are: Upper Connor Creek, Lower Connor Creek, I-96, Lyndon, Westfield and Livernois. Primary and Secondary Employment Districts comprise approximately 75% of all the city's industrial property by acreage.

These Primary and Secondary Employment Districts remain viable locations for industry and are the areas where traditional manufacturers and industrial businesses are most likely to locate. However, most of Detroit's industrially-zoned land is in areas that have limited market appeal for housing, mixed-use development and other non-industrial uses. Most still contain active industrial uses that would not be compatible with residential development, and many sites have been converted to scrap yards and other undesirable uses.

The Detroit Strategic Framework recommends areas for Primary and Secondary Employment Districts and Live+Make District development.



The remainder of Detroit's industrial acreage is expected to transition away from heavy industrial use toward mixed-use districts, including housing, office and open space uses, as well as light manufacturing and creative industries. These areas include those districts identified by the Detroit Future City Strategic Framework as Live+Make Districts, such as Corktown, the Beltline Corridor, Eastern Market and Milwaukee Junction.

These districts share a close proximity to the city's core and already contain a mix of uses. Ford Motor Company's recent commitment to invest in an advanced mobility hub in Corktown will add a stronger employment element to this neighborhood which has already experienced residential and entertainment development. Eastern Market on the other hand is set to experience significant residential growth, while working to retain the wholesale and retail food businesses that have defined that area's character.

Milwaukee Junction is also undergoing a transformation, building upon its close proximity to Midtown and extensive stock of brick factory and warehouse buildings that are poised for adaptive reuse. Much of this area has already been rezoned from industrial use to "Special Development District" zoning to encourage new mixed-use development.

The Beltline Corridor retains some of its industrial character, but also is home to a variety of uses from urban farming to a non-profit boxing gym. This area also has a growing art scene. For example, Inner State Gallery sold its building near Eastern Market in 2017 to move to the Beltline district. This area is also home to the Letts Building, where a 100-year-old business has opened its surplus floor space to a variety of small businesses and makers.

INNOVATION DISTRICTS

Many revitalizing cities have pursued a strategy to develop "innovation districts" in order to catalyze economic development. These districts are generally located near a major university or research hospital and focus on supporting innovative technology and bioscience-based businesses. They also emphasize the need for mixed uses to create "live, work and play" communities that are attractive to highly sought after young and educated professionals.

These districts generally evolve incrementally and include a mix of adaptive reuse and new construction. One successful example is the [Cortex District](#) in St. Louis, located in a formerly industrial area near Washington University. Cortex is managed by Cortex Innovation Community, a non-profit organization that serves as master developer of the area.

In 2015, [Midtown Detroit, Inc.](#) commissioned a study for creating an innovation district in Detroit. The study identified a district that included Downtown, Midtown, New Center and Corktown, covering an area approximately four times larger than the typical innovation district. The Tech Town area of the Wayne State University campus is a good example of an innovation hub in Detroit. The recent purchase of the historic Michigan Central Station by Ford Motor Company is expected to accelerate the development of the Corktown neighborhood as an innovation district focused on the future of mobility.

MAKER DISTRICTS

In recent years, there has been a renaissance of small-scale and artisanal manufacturing nationwide. Sometimes lumped under the banner of “urban manufacturing”, this sector includes artists, artisans, makers, brewers, and fabricators, as well as more traditional light manufacturers.

These districts typically emerge organically in locations near-downtowns that have not yet experienced rapid real estate value appreciation, often led by pioneering businesses seeking inexpensive space. These districts generally don’t include housing as a significant use initially, but often do include restaurants, bars, brew pubs, art galleries, and retail uses that provide amenities for district businesses but also draw visitors and diners to the area.

These districts can sometimes be the victim of their own success as the original “maker” character can be replaced by other uses as real estate prices rise. In Detroit, the Eastern Market Corporation has pledged to preserve the working character of the market area as residential developers begin to buy up more of the property around the market.

Nationally, the [Urban Manufacturing Alliance \(UMA\)](#) and the [Local Initiatives Support Corporation \(LISC\)](#) have increased their efforts to support this small manufacturing sector and foster district organizations that spur growth of this sector on the local level. The [Mass Avenue Industrial Corridor](#) in Indianapolis, I.N. and the [Rail Yard District](#) in Jacksonville, FL are two examples of LISC investing in a mixed-use employment district strategy with much success.

In Detroit, [Design Core Detroit](#) engaged UMA to conduct a survey of nearly 100 small-scale manufacturers and artisans. The UMA study revealed a vibrant sector of entrepreneurs with great potential for growth. Many of these entrepreneurs expressed concerns about finding move-in ready space at affordable rates and are worried about displacement caused by rapidly rising rents in the central city. Detroit Future City is collaborating with Design Core Detroit and the Detroit Economic Growth Corporation to explore real estate options to meet this need.

The RUCKUS Makerspace was developed by the non-profit Riley Area Development Corporation as a part of the Circle City Industrial Complex in Indianapolis.

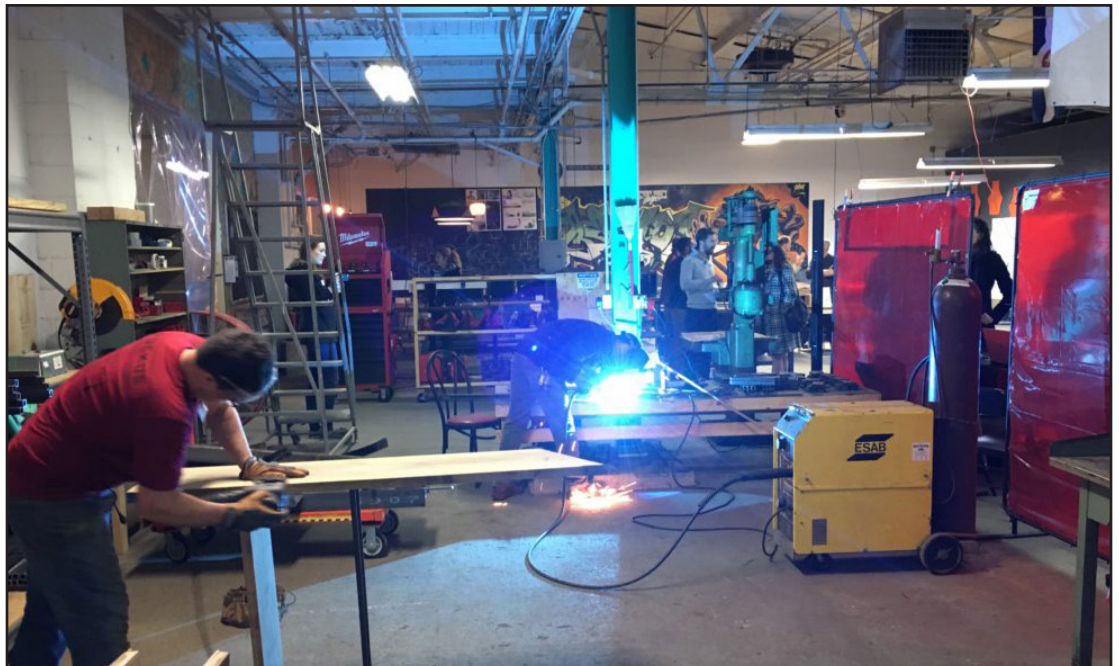


Photo Credit: Schmidt Associates

SYSTEM SCALE CHANGE

System-wide approaches generally require substantial public investment. For example, infrastructure investment in transportation systems such as freeways and railroads were major drivers of industrial development in the 19th and 20th centuries. Today, airports also play a big role in moving goods around the country in support of industry.

New transportation investment still has the power to spur development. The planned Gordie Howe International Bridge in Southwest Detroit is one of the most significant pieces of new infrastructure in generations and will strengthen Detroit's role as a logistics and international trade hub. Passenger transit, such as the QLINE streetcar is supporting new development in the Milwaukee Junction district, and along the Woodward corridor.

Detroit's popular
Dequindre Cut
Greenway will form
one leg of proposed
Joe Louis Greenway
system.



Photo Credit: Detroit Riverfront Conservancy

The [Joe Louis Greenway](#) is another example of an intervention at the system scale. The city has proposed constructing a large-scale greenway encircling the central city, including both on-road and off-road segments. The off-road segments reutilize decommissioned rail corridors. The popular Dequindre Cut greenway would make up one segment of the larger Joe Louis Greenway project.

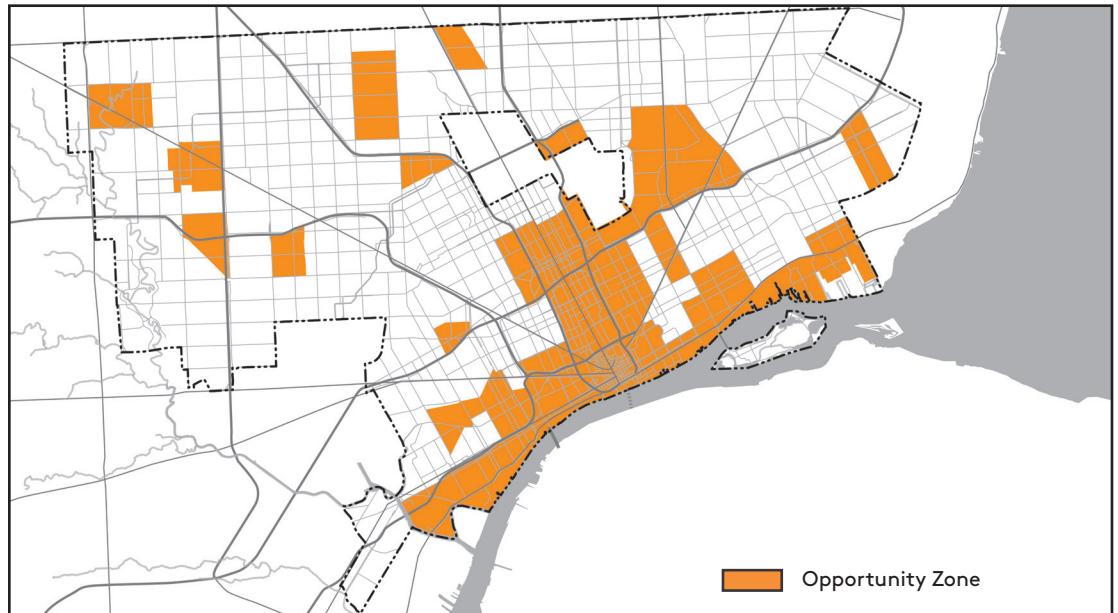
The greenway could create value for adjoining properties where little value exists today, similar to how the [Atlanta Beltline](#) greenway is shaping development patterns in Atlanta for both industrial and non-industrial uses. The Joe Louis Greenway is proposed to pass through industrial districts such as Dequindre/Eastern Market, Lyndon and the Cloverdale Street area on the lower west side and has the potential to impact the market significantly in adjacent areas. However, there are many issues related to property condition, site ownership and incompatible uses that will have to be overcome in these areas.

OPPORTUNITY ZONES

Opportunity Zones are a new financial incentive that could spur additional investment across the system of industrial property in Detroit.

[Opportunity Zones](#) were authorized by a provision in the 2017 Tax Cuts and Jobs Act tax reform bill. These zones are designated by states, subject to the approval of the US Treasury Department and are designed to encourage private investment in economically distressed areas by offering favorable tax treatment to long-term capital investments made in designated zones. There are 288 approved Opportunity Zones across Michigan.

Detroit has 69 census tracts designated as Opportunity Zones, including many industrially-zoned districts.



Zones align with census tracts and there are 69 such designated zones in Detroit, covering several of the Primary and Secondary Employment Districts and Live+Make Districts described above. Districts that are at least partially designated include: Southwest, I-96, Lyndon, Westfield, Livernois, Dequindre/Eastern Market, Corktown, Mt. Elliot, Milwaukee Junction and the Beltline.

Opportunity Zones are expected to spur billions in new investment nationwide, but because they are still new, it is not clear which zones and which types of projects will attract investment. The Platform's Chroma project in Milwaukee Junction recently included financing from a newly created Opportunity Zone fund, one of the first such investments in Michigan. This could prove to be an important tool for increasing the number of industrial reuse projects.

ROLE OF PHILANTHROPY

Though many industrial reuse projects utilize private-sector financing combined with public incentives, there is also a role for philanthropy in promoting adaptive industrial reuse, especially where market forces are weak and redevelopment costs are high. Philanthropy can have an impact across the site, district and system scales.

In 2018, the Charles Stewart Mott Foundation in Flint announced plans to invest in redeveloping the shuttered [General Motors Buick City plant](#) into a \$23 million eco-industrial park. The Hazelwood Green project referenced above is owned jointly by three private foundations that are developing the property with explicit community benefit and social equity goals.

Bridgeway Capital transformed a vacant industrial warehouse into a hub for urban manufacturing, craft businesses and workforce training with support from the Richard King Mellon Foundation in Pittsburgh, PA.



Photo Credit: Bridgeway Capital

One of these three foundations, the Richard King Mellon Foundation, also catalyzed the adaptive reuse of [7800 Susquehanna](#), a 100,000-square-foot former factory in the low-income Homewood neighborhood of Pittsburgh. Mellon engaged Bridgeway Capital, a local Community Development Financial Institution (CDFI), to turn the building into affordable space for small businesses and job training programs in an area where there was no market for private development.

Philanthropy also played a key role in the redevelopment of a 1 million square foot former Sears warehouse and distribution center in Memphis, TN into a mixed-use “vertical urban village”. A local philanthropist purchased the building, now called [Crosstown Concourse](#), to preserve it for redevelopment and underwrote the costs of planning and predevelopment.

In Detroit, the Ralph C. Wilson Jr. Foundation has provided millions of dollars in support for the Joe Louis Greenway project and for a plan to convert a former industrial site on the City’s West Riverfront into a major regional park.

In Cincinnati, the [Port of Greater Cincinnati Development Authority](#) has raised more than \$8 million from social impact investors to support the redevelopment of underutilized industrial properties. Different from traditional philanthropy, impact investing mobilizes capital willing to accept below-market financial returns to generate socially beneficial outcomes. The Cincinnati fund has attracted investments from large foundations, mid to large-sized corporations and wealthy individuals. The focus of this fund is on repositioning industrial properties to attract new job-creating manufacturing businesses.

In all these examples, philanthropy played a catalytic leadership role beyond merely filling financial gaps.

Industrial land and buildings provide opportunities for value creation at three scales: site, district and system. However, because of the widespread availability of vacant industrial property, a strategic approach will be needed to assure that value creation is maximized. It will be difficult to create market momentum without some concentration in strategic areas.

There are many examples of creative adaptive reuse of individual sites and buildings to draw on for inspiration. However, these projects are dependent on a variety of circumstances that must be considered on a site-by-site basis.

System-wide approaches generally require substantial public investment, especially where new public infrastructure is needed. There are examples, however, where investment in greenways or light-rail transit systems spur new development far in excess of the public investment. Policy innovations, such as Opportunity Zones, could also unlock millions in private investment in exchange for tax liability reductions.

Value can best be created at the district level by creating density of activity, clustering complimentary uses and providing district-level, high-quality infrastructure improvements. District development does not rely on a single large or unique building and can be developed incrementally. Ideally, a high-capacity district management entity can engage and organize district stakeholders and coordinate district development.

The importance of place-based institutions has been recently emphasized by [Bruce Katz](#) of the Brookings Institution in his writings on maximizing the potential of Opportunity Zones. Katz emphasizes that having place-based organizations play the role of “place maker, place manager, place marketer, entrepreneurial catalyst and people connector” is key to maximizing the value and potential of an urban district in need of redevelopment.

Detroit has excellent examples of place-based organizations that have helped to catalyze development at the neighborhood level. For example, the critical role that Midtown Detroit Inc. has played in planning, marketing and marshalling development in Midtown is well-documented. Other community development corporations have likewise played important roles in stabilizing residential communities throughout Detroit. For the most part, these organizations have not operated in the city’s industrial corridors or Live+Make districts, however.

One exception is the [Eastern Market Corporation \(EMC\)](#), a place-based stakeholder organization that provides a range of services for strengthening its district in addition to operating the flagship public market. Crucially, EMC provides a vehicle for marketing, placemaking and long-range planning for market growth, all while protecting the essential core business of the market area.

Detroit needs more organizations to play this role within traditional employment districts, as well as those areas transitioning to mixed uses or Live+Make typologies. Detroit Future City recently conducted a framework study in the [Milwaukee Junction](#) district in collaboration with Detroit LISC, Vanguard CDC and other area stakeholders. Among other objectives, the framework is intended to catalyze a district management initiative. Additional studies are being contemplated for other industrial and Live+Make districts.

As a community, Detroit needs to invest in place-based organizations to serve these districts. Though adaptive reuse strategies are important at all scales, by harnessing the commitment and creativity of local businesses, residents and entrepreneurs, district-based strategies may in the end prove best suited to strengthening neighborhoods and creating jobs for local Detroiters.

TRENDS AND CASE STUDIES



For more information about adaptive reuse of industrial properties, please refer to the companion document to this report entitled [Detroit Industrial Adaptive Reuse Initiative: Trends and Case Studies from North America and Western Europe](#), compiled by SmithGroup. This document includes examples of more than 40 innovative projects covering a wide range of building types and uses.

ACKNOWLEDGEMENTS

This report is a product of the Detroit Industrial Adaptive Reuse Initiative conducted by Detroit Future City in partnership with the SmithGroup and Mass Economics in 2018.

As part of this initiative, DFC convened a cross-sector working group that help to inform and contribute to this study. The working group included representatives from the following organizations and agencies: City of Detroit, Wayne County Brownfield Redevelopment Authority, Michigan Economic Development Corporation, Detroit Economic Growth Corporation, DTE Energy, Invest Detroit, Detroit LISC, and Design Corps. DFC is grateful for the participation of these organizations.

For more information contact Tom Goddeeris, Deputy Director, at tgoddeeris@detroitfuturecity.com.

Cover Photo Credit: Albert Duce