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RESIDENTIAL AND RETAIL MARKET POTENTIAL

Downtown Jackson

City of Jackson, Jackson County, Michigan

July, 2003

EXECUTIVE SUMMARY

Zimmerman/Volk Associates, Inc. and H. Blount Hunter Retail & Real Estate Research have completed detailed market analyses that identify an appropriate mix of residential and retail uses to establish and maintain a sustainable downtown in the City of Jackson, Michigan. The analyses also recommend effective and efficient implementation strategies to capture the market potential. The firms conducted two parallel and coordinated technical analyses—covering housing and retail—with each study structured to function independently for development, recruitment and implementation effectiveness.

This Executive Summary not only outlines the technical findings, but also concentrates on the implementation recommendations, which consist of three main strategies:

- Emphasis on appropriate target markets—for housing, retail customers and retailers;
 - Concentration on specific locations for development/redevelopment/recruitment; and
 - Adoption of policies and programs that support effective implementation, development, marketing and management tools.
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Residential and Retail Market Potential
Downtown Jackson
City of Jackson, Jackson County, Michigan
July, 2003

TARGET MARKETS

Effective development/redevelopment of both housing and retail requires a targeted approach. The residential analysis identified specific household types with the potential to move to appropriately-positioned Downtown housing; the retail analysis identified key consumer segments in a current and expanded retail customer base, and retail categories best-suited to the overall Downtown strategy.

As determined by the residential analysis, there is an emerging market for Downtown housing, including new construction as well as adaptive re-use of existing buildings. The market potential for newly-created market-rate housing units to be leased or sold within Downtown Jackson consists of up to 780 households with a preference for city living.

The household groups that comprise the potential market for Downtown housing are:

- Younger singles and couples (54 percent);
- Empty nesters and retirees (41 percent); and
- A range of urban families (5 percent).

From the perspective of the draw area target market propensities and compatibility, and within the context of the new housing marketplace in the Jackson market area, the potential market for new housing units within the Downtown could include the full range of housing types, from rental multi-family to for-sale single-family detached. However, redevelopment of existing buildings is typically limited to multi-family housing; in addition, opportunities for new construction should also concentrate on higher-density housing types, which support urban development and redevelopment most efficiently and include:

- Rental lofts and apartments (multi-family for-rent);
- For-sale lofts and apartments (multi-family for-sale); and
- Townhouses, rowhouses, live-work or flex units (single-family attached for-sale).

With a variety of housing initiatives, Downtown Jackson could become a magnet for households moving into the city. The appropriate urban housing types and general rent/price ranges and unit sizes that will attract the potential market are:

Residential and Retail Market Potential
 Downtown Jackson
City of Jackson, Jackson County, Michigan
 July, 2003

HOUSING TYPE	RENT/PRICE RANGE	SIZE RANGE	RENT/PRICE PER SQ. FT.
Rental—			
Hard Lofts *	\$475-\$1,350/month	500-1,500 sf	\$0.90-\$0.95 psf
Soft Lofts †	\$725-\$1,500/month	700-1,600 sf	\$0.94-\$1.04 psf
For-Sale—			
Hard Lofts *	\$70,000-\$195,000	500-1,500 sf	\$130-\$140 psf
Soft Lofts †	\$145,000-\$275,000	900-1,800 sf	\$153-\$161 psf
Townhouses	\$165,000-\$250,000	1,000-1,600 sf	\$156-\$165 psf

* Unit interiors of “hard lofts” typically have high ceilings and commercial windows and are either minimally finished, limited to architectural elements such as columns and fin walls, or unfinished, with no interior partitions except those for bathrooms.

† Unit interiors of “soft lofts” may or may not have high ceilings and often include full or partial interior partitions.

SOURCE: Zimmerman/Volk Associates, Inc., 2003.

Based on a 15 percent capture of the potential market for multi-family units, and a 10 percent capture of for-sale single-family attached units, Downtown Jackson should be able to support nearly 60 new units per year, or up to 300 new dwelling units over the next five years.

Current Downtown retail customers are a small but loyal group. Key consumer segments include daytime workforce and dining/entertainment patrons visiting Downtown evenings and weekends. The user base for entertainment offers potential for growth—especially of 18 to 44 year olds who are typically the leading edge of Downtown revitalization, and potential tourists and daytrip visitors.

- The primary local marketing target is 18-44 year olds who represent 35 percent of the adult population of Jackson County. The objective is to increase the percent of local residents within this age range who visit Downtown, increasing their frequency of visits, and increasing their spending by adding retail merchandise and food/beverage alternatives that will appeal to this consumer segment.
- The region’s estimated 750,000 to one million annual tourists and daytrip visitors can be lucrative simply due to its size—five to eight times larger than the total population of Jackson County. Tourism could ultimately account for 30 to 40 percent of the total sales volume of Downtown (compared to an estimate of less than 10 percent today).

Residential and Retail Market Potential
Downtown Jackson
City of Jackson, Jackson County, Michigan
July, 2003

Retailers recruited for Downtown should be capable of simultaneously being “destination” merchants and serving the needs of the key user segments, particularly independent merchants in priority categories:

- new and used books,
- music,
- cards,
- gifts,
- upscale consignments,
- antiques,
- art, and
- handcrafted items (jewelry, clothing, furniture, home furnishings).

Reviving Downtown Jackson’s retail sector faces many challenges, some of which are unique to Jackson while others reflect the dynamics of American retailing. With few viable merchandise voids in the community’s retail market, Downtown Jackson’s search for a viable retail niche is constrained. Its retail future must evolve from a base of surviving “destination” specialty shops and several restaurants. As suburban retailing becomes increasingly mundane and devoted to “task-oriented” chore shopping, Downtown is well-suited to position itself as a place for “recreational shopping” for unique specialty goods in an environment that offers dining and entertainment as important elements of drawing power. This is not a unique model, but it offers a great possibility of success in Jackson in light of Downtown’s current momentum toward becoming a “place” defined by arts, entertainment, and family fun.

The most effective strategy for retail revitalization is to enhance usage of Downtown Jackson through events and dining in order to demonstrate a viable market for retailers. The initial wave of new retailers will survive on the small daytime workforce and impulse purchasing by patrons drawn to Downtown for reasons other than shopping. As the retail base increases over time, Downtown may emerge as a critical mass with sufficient drawing power that it serves as a “destination” for drawing an adequate level of patrons with “shopping” as their primary purpose for visiting.

The retail recruitment strategy will be facilitated by defining the City’s vision for Downtown Jackson in the form of a Comprehensive Downtown Plan. A larger vision is necessary to capture

Residential and Retail Market Potential
Downtown Jackson
City of Jackson, Jackson County, Michigan
July, 2003

the interest of prospective merchants and to assure them that Downtown's future direction offers reasonable opportunities for profitable operations. The Armory Arts project, Grand River "sculpture walk," restoration of the Michigan Theater, and planned amphitheater are developments that will bolster Downtown Jackson's role as an important destination for arts and entertainment. All of these developments can be harnessed as "anchors" for generating traffic and initiating retailer/restaurateur interest in Downtown Jackson. These developments and the series of on-going community events must be employed strategically to provide maximum economic impact for the benefit of existing merchants while becoming major parts of the "Downtown Jackson story" to be packaged and presented to prospective businesses.

Residential and Retail Market Potential
Downtown Jackson
City of Jackson, Jackson County, Michigan
July, 2003

LOCATIONS

Successful development/redevelopment in Downtown Jackson must be consolidated into identifiable residential “addresses” (creating Downtown residential neighborhoods where none currently exist) and a “primary retail zone” with concentrated retail activity.

Residential “addresses” can be created through the delineation of separate mixed-use “districts” within the Downtown. The following are proposed for Downtown Jackson:

- The Theater District (Mechanic Street from the railroad tracks to Washington Avenue).
- Library Place (both sides of Michigan Avenue from Blackstone to Jackson Streets extending from the Louis Glick Highway in the north to Washington Avenue in the south).
- Restaurant Row (the area straddling Michigan Avenue from Jackson Street in the west and Mechanic Street in the east, and extending from the highway to Washington Avenue).
- The Hospital District (the area from Pearl Street to the north, Waterloo Avenue to the east, Elizabeth Street to the south, and the railroad tracks to the west).

Successful retail also requires geographic concentration to create an effective “critical mass.” Downtown’s “primary retail zone” should be focused along the blocks of Michigan Avenue between Jackson Street and Mechanic Street. Zoning and land-use restrictions to facilitate street-level retail activity should be overlaid on the “primary retail zone” and economic development incentives matched to this geographic zone.

Functional and thematic linkages should be established between the key activity centers in Downtown, and all outlying destinations should be linked to the Michigan Avenue “primary retail zone” to support the concentrated mass of retailing and dining.

Pearl Street, Francis Street, and the blocks of Jackson and Mechanic Streets located between Cortland Street and Louis Glick Memorial Drive could also benefit from retail efforts after the “primary retail zone” has been successfully established.

Residential and Retail Market Potential
Downtown Jackson
City of Jackson, Jackson County, Michigan
July, 2003

IMPLEMENTATION STRATEGIES, POLICIES AND PROGRAMS

Throughout the following discussion, it is assumed and recommended that the Community Development Department staff will have primary responsibility for housing implementation and the Downtown Development Authority for the commercial/retail development implementation. A coordinated implementation strategy will be utilized by the two entities.

Two implementation strategies—one mainly policy, the other mainly program—apply to both residential and retail Downtown development. The first concerns Downtown’s physical quality, the other concerns outreach to the target markets.

1. Ensure Appropriate Urban Design. A Downtown neighborhood succeeds when its physical characteristics consistently emphasize urbanity and the qualities of city life; conversely, attempts to introduce suburban scale and housing types into urban areas have invariably yielded disappointing results. Therefore, appropriate urban design—which places as much emphasis on creating quality streets and public places as on creating or redeveloping quality buildings—will be essential to success. The important elements can be summarized in several practical inter-related guidelines:
 - Preservation or restoration of the urban fabric. Emphasis should be on adaptive re-use, with new construction used as infill among rehabilitated structures.
 - Respect for the urban context. Major renovation and new infill construction should maintain the building lot disposition and “build-to” line. When building heights are increased, the new floors should be set back from the historic cornice line. Pedestrian entrances should always be from the sidewalk; automobile entrances should always be minimized. Buildings should never present a blank wall to the street.
 - Streets designed for pedestrian comfort. Automobiles are accommodated on great urban streets; however, they are not given precedence over ease of pedestrian movement. The emphasis on streets can have significant, long-term impact on both street safety (providing “eyes on the street”) and usable parks and squares.
 - Continuing improvement of the streetscape. Local artists can create a unique physical environment which could be extended to the Downtown’s “street furniture”—the trash receptacles, seating areas, public sculptures, and other small

Residential and Retail Market Potential
Downtown Jackson
City of Jackson, Jackson County, Michigan
July, 2003

street amenities that make the difference between an “automobile-oriented road” and a “neighborhood street.”

- Reduced parking requirements. Urban, rather than suburban, parking ratios should be utilized, with 1.3 parking spaces per rental unit and 1.5 parking spaces per for-sale unit. Although lack of parking is a recurring complaint in many cities, detailed analysis of parking capacity typically reveals under-utilization of existing parking. A number of cities have recently begun to shrink parking requirements. For example, Portland, Oregon now exempts downtown residential development from required off-street parking; Olympia, Washington has no minimum parking requirements in its downtown.

Parallel parking should be encouraged wherever possible not only to enhance pedestrian safety but also to help meet residents’ parking needs. Resident parking on designated streets should be ensured through a permit system; permits should be issued at the cost of administering the program, including the added cost of enforcement.

Shared parking should be encouraged in the core Downtown. The overall number of required parking spaces could be significantly reduced if businesses and residential development shared parking facilities.

2. Market and Monitor the Downtown. A high-profile marketing program should be undertaken to promote the Downtown as a viable and exciting housing option. An effective marketing program will require advertising and public relations, merchandising and promotion. This could be undertaken as an adjunct to the marketing of Downtown as a destination for shopping and entertainment.
 - Advertising and public relations should include an “image” campaign that not only keeps the Downtown within the public consciousness, but also reinforces the positive aspects of urban living.
 - Merchandising includes consistent street amenities, such as lighting and trash receptacles with uniform and distinctive designs (*see above*).
 - Promotion should include a series of special events that attract large numbers of households to the Downtown.

Residential and Retail Market Potential
Downtown Jackson
City of Jackson, Jackson County, Michigan
July, 2003

Recommended policies and programs specific to residential development and retail revitalization include:

Residential—

The recommended residential policies and programs apply equally, for the most part, to owner- and renter-occupied housing. However, it is important to note that the development of rental housing should not be underestimated as an implementation tool. Rental apartments should be encouraged in pioneering Downtown locations because they can be instrumental in the rapid establishment of “mass.” Rentals allow households to experiment with living in a particular location without the commitment of home ownership; and Downtown renters will form a pool of potential purchasers of ownership units that may be developed at a later date.

Downtown residential development will be facilitated through the following policies and programs:

1. Adaptive Re-Use. The City of Jackson should encourage residential redevelopment of existing buildings, particularly those of architectural merit, because of the demonstrated positive impact historic rehabilitation has had on housing and neighborhood values nationally.
 - Create a special code for adaptive re-use of non-residential buildings into housing.
 - Create an adaptive re-use handbook to facilitate code compliance.
 - Identify an adaptive re-use ombudsman to facilitate code compliance.
2. Policies and Programs For New Residential Construction.
 - Create a gap financing funding pool. A revolving loan pool for subordinated, low-interest gap funding should be established to put the financial feasibility of smaller Downtown properties on an equal footing with larger suburban properties. (With some exceptions, infill development opportunities within Downtown Jackson are likely to be small scale—in most cases, fewer than 50 units and usually fewer than 25. These small properties lack development efficiency; since fixed costs are spread over fewer units, the cost per unit is higher without any corresponding increase in market value.)

Residential and Retail Market Potential
Downtown Jackson
City of Jackson, Jackson County, Michigan
July, 2003

Gap funding should be available to both adaptive re-use and to new construction.

The gap fund should be very flexible in order to respond to the special needs of each small, highly-individual property. Gap funding is typically structured as low-interest debt in a second or third position, but can incorporate interest accrual or other features designed to address the short-term financing impediments to residential developments that are essentially sound when viewed over the long term.

- Require that residential uses be included in development of City-owned Downtown properties, thereby leveraging Downtown residential development.
3. Selected Michigan Programs Covering New Residential Construction
 - Earmark Downtown Development Authority tax increment financing dollars for Downtown housing when available.
 - Brownfield Redevelopment Authority tax increment financing.
 4. Selected Michigan Programs Covering Rehabilitation
 - State of Michigan Commercial Historic Preservation Tax Credit.
 - Obsolete Property Tax Exemption (State of Michigan 2000 PA 146).
 5. Selected Michigan Programs Covering New Construction and Rehabilitation
 - Neighborhood Enterprise Zone certificate (State of Michigan 1992 PA 147).
 - Brownfield Single Business Tax Credit (State of Michigan 1996 PA 382).
 6. Best Practices
 - Smart Growth Zoning Codes: A Resource Guide. A publication of the California-based Local Government Commission, the guidebook is based on research on more than 150 “smart growth” zoning codes from across the nation. The guidebook is designed to encourage walkable, mixed-use neighborhoods and the revitalization of existing places. Each chapter analyzes a critical issue—such as design, streets and parking—and highlights exemplary codes from across the country. The guidebook comes with a CD-ROM that contains copies of some of the beset zoning codes in the United States and other resources.
 - Form-Based Zoning Codes. A new system of zoning recently adopted in a wide variety of municipalities, ranging from Arlington, Virginia to Waynesville, North

Residential and Retail Market Potential
Downtown Jackson
City of Jackson, Jackson County, Michigan
July, 2003

Carolina, to Charleston, South Carolina, to Contra Costa County, California. In contrast to Euclidian zoning models, which regulate land use and only indirectly deal with the form of buildings and streets, form-based zoning deals directly with building form and sets only broad parameters for use. Form-based zoning regulates the size, shape and organization of streets and buildings to create a walkable, transit-friendly collection of inter-connected streets and to foster the development of a dense mix of housing and businesses.

Form-based zoning codes assert that a community's physical form—its buildings—is its most defining characteristic. As such, form-based codes avoid regulating development based on the use of a piece of land, and make design of the buildings, streetscape and civic infrastructure the central issue. Proponents of form-based coding claim that it regulates fewer elements than a typical zoning ordinance because it does not encompass every combination of setback and density, but prescribes upfront what types of developments are acceptable and then graphically illustrates them to promote usability. Form-based codes seek to control only the most important physical attributes of a group of buildings. This often includes their alignment on a street, the disposition of space between them and their overall height. Typically, such controls are not expressed as absolutes, but rather as ranges of acceptable values. For example, building heights along a street can range from two to eight stories. The ultimate design objectives can vary from seeking an absolutely consistent eave line, requiring nearly uniform building heights, to one that allows a tower location that clearly rises above nearby buildings to “punctuate” a key section.

- Mixed-use and downtown districts, City of Birmingham, Michigan, Code of Ordinances. To encourage mixed-use development, the City of Birmingham, Michigan, Code of Ordinances includes a Mixed-Use District (MX)—see Chapter 126, Zoning, Article XVIII—specifically governing the Eton Road corridor, and a Downtown Overlay Zoning District—see Chapter 126, Zoning, Article XIX—covering Downtown Birmingham. Although a number of Michigan cities are exploring more flexible zoning to encourage Downtown residential development, few have actually crafted new regulations at this time.

Residential and Retail Market Potential
Downtown Jackson
City of Jackson, Jackson County, Michigan
July, 2003

Retail—

1. Initiate a comprehensive Downtown planning process to provide a blueprint for future public and private sector investment. Link existing initiatives to a broad strategic plan for Downtown Jackson. The public process of creating a comprehensive Downtown plan earns greater citizen support and inspires more private sector investment than incremental actions that appears to be randomly generated by the public sector without input from citizens and the private sector. The comprehensive Downtown plan should address key elements such as:
 - a. Land use
 - b. Urban design
 - c. Transportation
 - d. Economic development
 - e. Environmental considerations
 - f. Public and human resources
2. Establish public policy guidelines within a Comprehensive Downtown Housing Strategy. Adopt best practices from other communities and adapt current programs to the needs of a wide range of developers. Coordinate “place-making” efforts with the private sector for maximum catalytic impact.
3. Build upon the current momentum of Downtown as a dining and entertainment destination by solidifying the sales performance of existing restaurants and broadening the offering of restaurants. Solicit mid-scale to fine dining operators to increase the drawing power of the node. Incorporate dining as a major appeal in marketing messages; encourage restaurant operators to promote themselves to reinforce the image of Downtown as the region’s most complete dining destination.
4. Generate increased traffic and sales in Downtown Jackson by:
 - a. Capitalizing on current patrons by encouraging cross-utilization of retailers and restaurants regardless of primary purpose for Downtown visit; and
 - b. Grow the user base primarily by increasing frequency of visits to Downtown by current patrons; target increased reach among 18-44 year olds.

Residential and Retail Market Potential
Downtown Jackson
City of Jackson, Jackson County, Michigan
July, 2003

5. Add civic institutions and attractions as a means of reinforcing the regional drawing power of Downtown Jackson. Actively pursue the renovation of the Michigan Theater and the development of new attractions such as an automotive collection, ice rink, amphitheater, outdoor art museum, or children's arts center. Enhance the role of the Grand River Farmer's Market in conjunction with the creation of the Grand River Path and Sculpture Garden.
6. Increase the visibility of Downtown Jackson to tourists and travelers to the region. Connect Downtown with major events such as NASCAR Race Week and the county fair. Support Downtown's ability to serve tourism through an initiative to improve the lodging and conference facilities within Downtown. Marketing messages can be based upon history, architecture, culture/arts, and recreation in addition to dining/entertainment/shopping. "Place making" efforts are important to providing an authentic experience for visitors.
7. Continue to improve the landscape and physical environment of Downtown Jackson with a "place-making" program that focuses upon creating a safe and attractive pedestrian environment. These efforts are necessary for retail rejuvenation and residential development. Pursue participation in the Michigan Main Street Program to provide a structured approach to the physical and economic revitalization of Downtown Jackson. The program will assist with guidelines for historic preservation and adaptive re-use. Strict design criteria should be established with incentives for adoption and strict enforcement.
8. Create an event marketing agency with public mandate, measurable goals, and appropriate funding to activate Downtown with year-round event programming. In recognition of local needs, this agency may be a municipal department, a quasi-private organization, or a private sector initiative. This function may reside within the Downtown Development Authority (DDA) although event marketing should not detract from the DDA's main function of retail recruitment. Whatever its organizational structure, this agency must be capable of generating corporate sponsorship and other forms of private funding to accomplish the objective of providing on-going

Residential and Retail Market Potential
Downtown Jackson
City of Jackson, Jackson County, Michigan
July, 2003

entertainment for families with the full intention of generating cross-visitation within Downtown. This is an essential element of “place-making.”

9. Implement sales performance tracking measurements to record progress toward goals. The DDA and City should collaborate on the creation of geo-coded retail sales tax records that can be used to track annual sales performance of all retailers and restaurants within the DDA’s boundaries. The DDA should also track changes in real estate property tax revenue. Implement market-wide “reach and frequency” consumer research on a regularly scheduled basis to assess changes in Downtown’s usage pattern and patron demographics.
10. Embrace the concept of a “primary retail zone” as a means of clustering new and existing retail/restaurant uses. This massing will make the retail content more visible and contribute to its success. The recommended site for the “primary retail zone” is the center of the traditional mercantile area along Michigan Avenue between Jackson Street and Mechanic Street.
11. Develop appropriate economic development incentives to address the specific needs of retailers and landlords. Match the economic development incentives geographically to the “primary retail zone” and thematically to the targeted retail categories specified in the analysis. Several Michigan communities have developed models of grants and programs that can be emulated in Jackson. Business grants supplement the façade renovation activities to be undertaken within the Michigan Main Street Program. Use these incentives as part of the recruitment program.
12. Organize the efforts of the Downtown Development Authority around the responsibility for retail recruitment. Align funding and staffing according to this priority. Follow the tenant solicitation guidelines when recruiting new merchants for Downtown Jackson. Target merchants in comparable settings and recognize that local and regional merchants are more likely to respond to a store location opportunity in Downtown Jackson than are national retailers who favor suburban sites or mall-based locations.

