



The Guardian Bank Building Feasibility Study

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September 2004

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I. Introduction

Northwest Detroit Neighborhood Development, Inc. (NDND) plans to redevelop the Guardian Bank Building as a site for neighborhood economic development initiatives that advance the revitalization goals of the Brightmoor community. Zachary and Associates, Inc. has prepared this study to determine market demand for neighborhood based commercial and human resource services. Results of the market analysis are used to evaluate redevelopment alternatives for the Guardian Bank Building.

Located at 20845 Fenkell Road, the Guardian Bank Building was designed in 1929 by Detroit architect C. Howard Crane for the Guardian Union Detroit Group, a new association of banks searching for new markets in the period of intense reorganization that preceded the Great Depression. Eager to serve thousands of steadily employed autoworkers with good wages and dreams of owning their own homes, Guardian Union Detroit Group opened a branch office in Brightmoor, a new subdivision on the northwest fringe of Detroit developed by Ohioan E. Buddy Taylor. Brightmoor offered barely adequate homes to thousands of autoworkers scrambling for shelter in the midst of a severe housing shortage. The first family to buy in Brightmoor arrived in March of 1922. By the end of 1925 nearly 4,000 homes dotted the unpaved streets in a very sparse pattern of development, and 190 commercial establishments clustered near the crossing of Fenkell and Burt Roads. In less than four years, the area was transformed from undeveloped Redford farmland to the new hometown of 11,319 autoworkers.

In more prosperous neighborhoods across the country, bankers had begun offering two revolutionary financial products: the interest bearing passbook savings account and the amortized home mortgage. Though expressly developed for the working poor and isolated from finer Detroit neighborhoods, Brightmoor nevertheless presented an opportunity for banks to tap into a fresh source of investment capital. Soon after Guardian Union Detroit Group opened for business, Peninsula Savings Bank appeared on the diagonally opposite corner of Fenkell and Burt Roads in an equally impressive high-style building.

The Depression put an end to the great expectations of steady growth and increased prosperity and in 1933 the banks at Fenkell and Burt Roads abruptly vacated the neighborhood. Unemployment, disease, and poverty took their toll over the next decade and conditions deteriorated badly. Eventually, World War II sent Detroiters back to work. Automobile production after the war brought thousands of workers to Detroit, and once again, Brightmoor lots filled up with hastily assembled homes intended as temporary solutions to a severe housing crisis. Built to inferior standards for expediency, the neighborhood's housing assets were destined to become obsolete and worn out while homes in other neighborhoods increased in value.

Despite this history of exploitation, the neighborhood survives. Disinvestment, class and racial prejudices, poverty, and all the accompanying social problems continue to challenge Brightmoor as they have since its beginnings. The neighborhood's greatest strengths are the community institutions that have endured through years of hardship and remain a significant source of support for Brightmoor families.

NDND has joined with other members of this resilient community to develop strategies for improving housing, stimulating commercial enterprise, and expanding economic opportunity. NDND housing programs have upgraded and increased local housing stock,

made home ownership more accessible to many residents, and improved neighborhood appearances. With the purchase of the Guardian Bank Building, NDND launches an important community development initiative targeting the underutilized Fenkell Road commercial corridor. The Guardian Bank Building's location at Brightmoor's central crossroads, and its history as a local landmark, underscore its importance as a "place maker" and significant feature of neighborhood identity. Renovation of the property will be highly visible and of great interest to members of the community and presents a powerful opportunity for strengthening community involvement and building momentum for a sustained, broad-based campaign of neighborhood improvement. The Guardian Bank Building rehabilitation serves as both symbol and source of neighborhood empowerment and renewal.

Report Organization

The Guardian Bank Building Market Analysis is presented in six sections.

- I. Introduction: Section I provides an overview of study parameters, a brief history of Brightmoor and the Guardian Bank Building, research methodology, and sources of information.
- II. Executive Summary: Section II presents a summary of the most critical findings, including demand estimates and recommendations for redevelopment of the Guardian Bank Building.
- III. Market Overview: Section III provides demographic profiles comparing 1990 and 2000 U.S. Census counts. These profiles illustrate market changes for ten census tracts identified by Zachary and Associates, Inc. as comprising the Brightmoor market area.
- IV. Demand Analysis: Section IV describes neighborhood demand for local commercial services and human resource programs that contribute to neighborhood revitalization based on a windshield survey, focus group meeting, a survey of neighborhood stakeholders, and a survey of Detroit agencies engaged in workforce development.
- V. Recommended Development Program: Section V includes conclusions drawn from market research findings into adaptive reuse concepts for the Guardian Bank Building, potential financial resources, cost, square footage, and rent for the building, and concluding this section are two financial analyses of the rehabilitation of the structure, including sources and uses, rental schedules, and pro forma analyses.
- VI. Appendices: Included in the Appendices are related materials to this study including copies of cover letters sent to survey participants; a copy of the Brightmoor Neighborhood Survey; survey results; training organizations interested in the building; completed Detroit Community Service Agency Surveys; focus group results; a history of the Guardian Bank Building; a copy of the letter submitted to the State Historic Preservation Office (SHPO) for preliminary review of the Guardian Bank Building's historic significance; and excerpts from the One-Stop-Job-Center-Operator RFP for PY 2003 - 2005 from the Detroit Workforce Development Department.

Study Definitions

The Guardian Bank Building is located at 20845 Fenkell Road within Detroit's 48223 Zip Code.

Brightmoor is defined by NDND as the four-square-mile area of northwest Detroit bordered by Puritan on the north, Evergreen/Westwood on the east, Fullerton on the south, and Telegraph on the west.

The market area defined by Zachary and Associates, Inc. includes the following Brightmoor census tracts: 5434, 5435, 5436, 5437, 5438, 5439, 5440, 5441, 5442, and 5443.

Methodology

The study was developed based on a combination of specific data and research. The following sources of information were employed:

The Brightmoor Neighborhood Survey, developed by Zachary and Associates, Inc., measured demand for neighborhood based goods and services used in the evaluation of uses for the Guardian Bank Building. Neighborhood workers, residents and parishioners returned 127 responses to the one page questionnaire.

The Detroit Community Service Agency Survey developed by Zachary and Associates, Inc., was distributed to Detroit training and workforce development agencies to ascertain agency operation models and facility preferences.

Telephone Surveys of a dozen training and workforce development agencies participating in the Michigan Works! Association program for the Detroit service area were conducted over several months.

A Windshield Survey of commercial establishments on Grand River, Fenkell Road and McNichols, from the Southfield Freeway to Lahser Road measured square footage devoted to various types of commercial uses in these areas.

A Focus Group Meeting with Brightmoor stakeholders was conducted by Zachary and Associates, Inc. in the community room of the Mt. Vernon Baptist Church on April 26, 2004.

Additional Sources:

1990 and 2000 U.S. Census data
Bureau of Labor Statistics, U.S. Labor Department
City of Detroit Workforce Development Department
City of Detroit Planning and Development Department
Michigan Works! Association

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Loeb, Carolyn S. *Entrepreneurial Vernacular: Developers' Subdivisions in the 1920s*. Baltimore: The Johns Hopkins University Press, 2001.

Meyer, Stephen, III. *The Five Dollar Day: Labor Management and Social Control in the Ford Motor Company, 1908-1921*. Albany: The State University of New York Press, 1981.

Zachary and Associates Inc. conducted a feasibility study for NDND to examine redevelopment alternatives for their property at 20845 Fenkell Road in Detroit. NDND plans to rehabilitate the Guardian Bank Building for a new use that would support community revitalization goals. The Fenkell Road commercial district in Brightmoor is comprised of small-scale commercial structures in severe need of rehabilitation. Many buildings are vacant and abandoned. NDND anticipates the redevelopment of the Guardian Bank Building will encourage surrounding property owners to improve their properties, attract new businesses to the area, and promote simultaneous renewal efforts in Brightmoor's residential areas.

Throughout the course of this study, Zachary and Associates, Inc. contacted a number of residents and employees in Brightmoor in order to ascertain the needs of the community and identify potential markets for the redevelopment of the Guardian Bank Building. The majority of the people contacted appear to be receptive to the redevelopment of the Guardian Bank Building. Most people expressed a preference for reinvestment plans that would establish neighborhood related services in the commercial district.

As a project site, the Guardian Bank Building has the benefit of being a neighborhood landmark, located within a residential area, and at a prominent corner in this community. The size requirements of the reuse concepts may require the building to embody multiple uses. Though general square footage of the Guardian Bank Building was provided, exact measurements to project space requirements for the reuse concepts were not available. Thus, the recommendations in this report should be considered for preliminary planning purposes only.

Adaptive Reuse Concepts

The four reuse concepts for this study were based on results from the focus group meeting, the Brightmoor Neighborhood Survey, and the Detroit Community Service Agency Survey. Zachary and Associates, Inc. surveyed and interviewed numerous individuals at workforce and job training organizations to evaluate other alternative uses. The following reuse concepts were identified and are described within this report: Job Training/Education Center, Bakery, Book Store, and Clothing Store.

Recommended Reuse Concept – Job Training/Education Center

Zachary and Associates, Inc. reviewed several adaptive reuse concepts and determined there was one feasible development scenario for the Guardian Bank Building, a job training/education center. Because of the community's interest in neighborhood related businesses, a bakery, book store and clothing store were also studied as complementary uses to the main reuse concept.

There is compelling evidence that Brightmoor is in great need of a job training center. Despite efforts by non-profit and for-profit developers, Brightmoor's commercial and residential areas are severally blighted. Quality jobs for both adults and youths are scarce or non-existent. Developing the Guardian Bank Building as a job training/education center emerges as an attractive reuse because community members believe establishing a local training program is an effective strategy for increasing job opportunity. The creation of a job training/education center is one feasible use that could

utilize the Guardian Bank Building and capitalize on the growing unemployment population in Detroit, and particularly in Brightmoor, by educating and preparing residents to enter or re-enter the workforce.

The Guardian Bank Building could accommodate one or more job training organizations, depending upon the size requirements of each organization. By housing several organizations together, they could potentially offer complimentary services and better serve their client base. Given the low response rate of the job training survey, further consultation and networking with Detroit job training and workforce organizations will have to be conducted to ensure the Guardian Bank Building is fully occupied. It is important to note there are organizations not only interested in learning about the redevelopment of the building, but would consider it as a future home for their organization and/or outreach activities.

Financing beyond conventional resources will have to be sought in order to fund the Guardian Bank Building's rehabilitation. The Nonprofit Facilities Center operates through the United Way and may provide grant money and/or a loan for planning, predevelopment, and development costs. Additional funds may need to be pursued through the City of Detroit, possibly in the form of Community Development Block Grants Funds, foundations, and from other supporters of the non-profit sector to fill any gap in financing.

III. Market Overview

This section gives an overview of the Brightmoor neighborhood to provide the necessary context for evaluating redevelopment alternatives for the Guardian Bank Building. Zachary and Associates, Inc. analyzed the impact of neighborhood conditions on the project's viability and market acceptance.

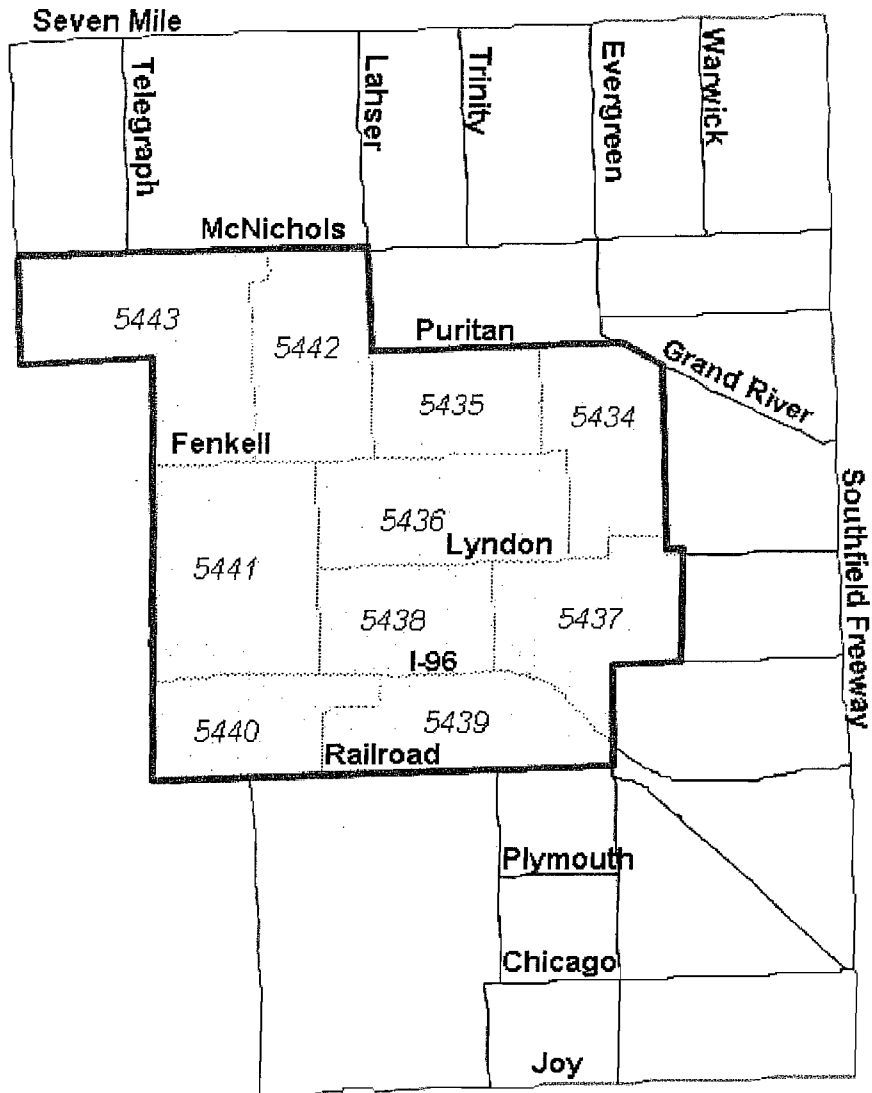
NDND defines Brightmoor as the four-square-mile area of northwest Detroit bordered by Puritan on the north, Evergreen/Westwood on the east, Fullerton on the south, and Telegraph on the west. The area is closely contained within ten census tracts (5434, 5435, 5436, 5437, 5438, 5439, 5440, 5441, 5442, and 5443), please see Map 1. on page eight. A comparison of data from the 1990 and 2000 U.S. Census provides a statistical basis for analyzing current neighborhood conditions. In Table 1, population counts from the 1990 and 2000 U.S. Census show areas of significant de-population over the last decade.

TABLE 1. BRIGHTMOOR AND CITY OF DETROIT POPULATION FOR 1990/2000

	1990	2000	% Change
Brightmoor			
CENSUS TRACT: 5434	3,936	3,944	0%
5435	3,401	2,722	-20%
5436	4,257	3,254	-24%
5437	4,197	3,445	-18%
5438	2,721	2,152	-21%
5439	2,050	1,511	-26%
5440	2,683	2,735	2%
5441	2,861	2,707	-5%
5442	3,977	3,839	-3%
5443	3,572	3,352	-6%
Total:	33,655	29,661	-12%
Detroit	1,027,974	951,270	-7%

Source: U.S. Census

Brightmoor has experienced a greater percentage of population loss than the city of Detroit over the last decade. The tracts with the most significant losses are south of Puritan between Lahser and West Outer Drive to Interstate - 96. The Guardian Bank Building is located in the upper third of this area and presumably would rely on this thinning population to support any commercial activities located in the area.



Map 1. Guardian Bank Building Market Area

A comparison of the number of households in Brightmoor from 1990 to 2000 describes an equally discouraging picture of neighborhood losses. Table 2 looks at net gains and losses over that period.

TABLE 2. BRIGHTMOOR AND CITY OF DETROIT HOUSEHOLDS FOR 1990/2000

Brightmoor		1990	2000	% Change
CENSUS TRACT:	5434	1,351	1,349	0%
	5435	1,048	753	-28%
	5436	1,475	986	-33%
	5437	1,380	1,044	-24%
	5438	1,019	753	-26%
	5439	804	626	-22%
	5440	1,142	1,164	2%
	5441	1,181	1,113	-6%
	5442	1,526	1,327	-13%
	5443	1,484	1,372	-8%
Total:		12,410	10,487	-15%
Detroit		374,057	336,428	-10%

Source: U.S. Census

Not surprisingly, the greatest decreases in the number of households occur in the same census tracts that lost significant population over the last decade. The number of households decreased at a greater rate in Brightmoor than the city of Detroit at large. This raises the same questions about Brightmoor's ability to support an increase in commercial activity on Fenkell Road. The diminishing population, and the prevalence of detached single-family homes found in Brightmoor may not meet requirements for residential densities commonly thought necessary for a neighborhood commercial district to grow and flourish.

Table 3 displays changes in the median household income from 1990 to 2000. Again, it appears that Brightmoor suffered greater setbacks than the city as a whole.

TABLE 3. BRIGHTMOOR MEDIAN HOUSEHOLD INCOME FOR 1990/2000

Brightmoor		1990	1990 Adjusted*	2000	% Change
CENSUS TRACT:	5434	\$ 36,571	\$ 48,312	\$ 41,567	-14%
	5435	\$ 15,370	\$ 20,304	\$ 25,568	26%
	5436	\$ 12,303	\$ 16,253	\$ 19,031	17%
	5437	\$ 11,461	\$ 15,140	\$ 14,571	-4%
	5438	\$ 13,724	\$ 18,130	\$ 24,265	34%
	5439	\$ 17,865	\$ 23,600	\$ 25,195	7%
	5440	\$ 31,134	\$ 41,129	\$ 40,325	-2%
	5441	\$ 28,846	\$ 38,107	\$ 33,450	-12%
	5442	\$ 19,683	\$ 26,002	\$ 25,513	-2%
	5443	\$ 24,549	\$ 32,430	\$ 32,321	0%
Detroit		\$ 18,742	\$ 24,759	\$ 29,526	19%

*Adjusted to reflect a Consumer Price Index inflation rate of 32.1% between 1990 and 2000

Source: U.S. Census, Bureau of Labor Statistics

The increase in income occurring in the same census tracts that lost population and households during the same time period is an encouraging finding. Tracts 5435 and 5438 had significant gains in household income, while gains in tracts 5436, 5437, and 5439 were more modest. Reports of low median income do not preclude the possibility of robust sales in commercial districts in those neighborhoods, as low-income households often supplement earnings with credit and government transfer program benefits. Understanding buying habits of consumer groups living in Brightmoor is critical to the success of revitalizing the Fenkell Road commercial corridor.

Table 4 describes Brightmoor's housing tenure as measured in the 2000 U.S. Census. Neighborhood residents often complain about the number of vacant and abandoned homes found on every block and these statistics seem to support their impressions.

TABLE 4. BRIGHTMOOR AND CITY OF DETROIT HOUSING UNITS FOR 2000

Brightmoor CENSUS TRACT	Total	Median Year Built	Occupied		Vacant	
			Number	Percentage	Number	Percentage
5434	1,409	1952	1,349	96%	60	4%
5435	905	1949	753	83%	152	17%
5436	1,187	1951	986	83%	201	17%
5437	1,204	1957	1,044	87%	160	13%
5438	881	1956	753	85%	128	15%
5439	698	1956	626	90%	72	10%
5440	1,190	1957	1,164	98%	26	2%
5441	1,177	1955	1,113	95%	64	5%
5442	1,490	1956	1,327	89%	163	11%
5443	1,521	1955	1,372	90%	149	10%
Total:	11,662	N/A	10,487	90%	1,175	10%
Detroit	375,096	1948	336,428	90%	38,668	10%

Source: U.S. 2000 Census

Brightmoor appears to have the same percentage of vacant homes as the city of Detroit. In many of the most challenged tracts in Brightmoor, vacancy rates are as high as 17% of all housing units. The older stock in each of the census tracts studied for this analysis often leads to high maintenance costs creating additional burdens for residents who must devote large portions of their income to home upkeep. Brightmoor housing is generally of poor quality and in disrepair. Additionally, the housing unit vacancy figures do not measure the number of vacant abandoned lots, which significantly add to the desolate appearance of the area.

Table 5 shows the ratio of homeowners to renters in Brightmoor. There are significant differences in home ownership rates between the census tracts studied.

TABLE 5. BRIGHTMOOR AND CITY OF DETROIT HOUSING TENURE FOR 2000

Brightmoor CENSUS TRACT:	Households	Owner Occupied		Renter Occupied	
		Number	Percentage	Number	Percentage
5434	1,349	1,049	78%	300	22%
5435	753	356	47%	397	53%
5436	986	445	45%	541	55%
5437	1,044	408	39%	636	61%
5438	753	284	38%	469	62%
5439	626	178	28%	448	72%
5440	1,164	720	62%	444	38%
5441	1,113	477	43%	636	57%
5442	1,327	607	46%	720	54%
5443	1,372	765	56%	607	44%
Total:	10,487	5,289	50%	5,198	50%
Detroit	336,428	184,647	55%	151,781	45%

Source: U.S. 2000 Census

Generally, home ownership in Brightmoor lags behind ownership rates in the city of Detroit by a few percentage points. Renters in Brightmoor outnumber renters in the city by 5%. The census tracts with the worst conditions in terms of population loss, housing vacancies, income levels, etc., also have much lower rates of home ownership than other Brightmoor tracts.

Table 6 compares rates of home ownership between 1990 and 2000 in Brightmoor and the city of Detroit. Brightmoor's figures remain five percentage points below the city's from 1990 to 2000.

TABLE 6. BRIGHTMOOR AND CITY OF DETROIT HOME OWNERSHIP FOR 1990/2000

Brightmoor CENSUS TRACT:	1990			2000		
	Total Households	Owner Occupied Number	Owner Occupied Percentage	Total Households	Owner Occupied Number	Owner Occupied Percentage
5434	1,351	1,035	77%	1,349	1,049	78%
5435	1,048	455	43%	753	356	47%
5436	1,475	604	41%	986	445	45%
5437	1,380	490	36%	1,044	408	39%
5438	1,019	396	39%	753	284	38%
5439	804	229	28%	626	178	28%
5440	1,142	693	61%	1,164	720	62%
5441	1,181	528	45%	1,113	477	43%
5442	1,526	746	49%	1,327	607	46%
5443	1,484	834	56%	1,372	765	56%
Total:	12,410	6,010	48%	10,487	5,289	50%
Detroit	374,057	197,929	53%	336,428	184,647	55%

Source: U.S. Census

Table 6 shows a mixture of gains and losses in home ownership in Brightmoor. Generally, there were gains of one to three points in four census tracts, and four census tracts showed fewer owner occupancies by the same margins. One tract showed no change in owner occupancy. Of all Brightmoor tracts, numbers 5435, 5436, 5437, 5438, and 5439 show the lowest rates of home ownership, again reflecting the particularly challenging conditions in those areas.

In summary, Brightmoor continues to experience greater population and household losses than other areas of Detroit. Median income levels remain lower than the city as well. Brightmoor's housing stock is old and there are large numbers of vacant and abandoned housing units. Home ownership in Brightmoor has not increased in the last decade and is five percentage points lower than Detroit rates. The conditions discussed in this demographic overview describe a neighborhood experiencing continued deterioration and lack of economic growth. As significant as these circumstances are throughout Brightmoor, they are intensely concentrated in a roughly two-square mile area that contains over 44% of Brightmoor's population in close proximity to the Guardian Bank Building. Conditions there will significantly impact the feasibility of any proposed commercial venture on Fenkell Road. The figures also support the views of neighborhood residents who perceive an overwhelming need for workforce development initiatives in Brightmoor.

Section IV provides an analysis of results from several different public input sources that were used to determine the development priorities of neighborhood stakeholders and to gauge community support for various alternative redevelopment plans for the Guardian Bank Building. This section includes findings from a Windshield Survey, a neighborhood focus group held on April 26, 2004, the Brightmoor Neighborhood Survey, and the Detroit Community Service Agency Survey.

A. EXISTING SUPPLY, UNMET DEMAND

This section analyzes the demand for consumer goods and services in the Brightmoor market. The discussion identifies opportunities for establishing a neighborhood commercial center on Fenkell Road and attracting retail tenants to the Guardian Bank Building. Zachary and Associates, Inc. conducted a "windshield" survey of commercial establishments on Fenkell Road, and on Grand River Avenue from Southfield to Lahser Roads. The purpose of this outdoor survey was to identify the different types of retail goods and services available in nearby commercial districts and to calculate the amount of square footage devoted to each category. Zachary and Associates, Inc. evaluated square footage numbers, household demographics, and other relevant factors of the Brightmoor market to calculate current supply and unmet demand in specific consumer categories.

Setting the Stage

The most fundamental component of the revitalization of the Fenkell Road commercial corridor is the array of physical improvements necessary to create a shopping district attractive to potential retailers and shoppers. Simultaneous initiatives to diversify housing choices in Brightmoor are equally important. The construction of single-family and multi-family housing units will increase density and greatly enhance the neighborhood's ability to support local retail. Stimulating commercial activity is first and foremost a question of credibility in the minds of potential retail tenants and neighborhood shoppers.

Commercial revitalization begins with the transformation of Fenkell Road to an attractive, functional, safe, and convenient shopping district. A comprehensive campaign of building and streetscape improvements provides compelling reasons for retailers to locate in Brightmoor, and demonstrates to merchants and neighborhood shoppers alike that change is happening, and success is possible.

Household Expenditures

The statistical profile of Brightmoor found in Section II of this study lists median incomes in the ten census tracts that range from \$14,571 to \$41,567 per year. Table 7 provides figures on the amount of after tax income a typical household in each income range spends every year on a variety of consumer goods and services. Note that yearly expenditures exceed more than 100% of annual after tax income in all but the highest income range, due to supplemental income.

TABLE 7. 2002 HOUSEHOLD EXPENDITURES AS SHARE OF AFTER-TAX INCOME

Income Range:	\$10,000- \$14,999	% After Tax Income	\$15,000- \$19,999	% After Tax Income	\$20,000 to \$29,999	% After Tax Income	\$30,000 to \$39,999	% After Tax Income	\$40,000 to \$49,999	% After Tax Income
Average Income After Taxes	\$ 12,429	100%	\$ 17,282	100%	\$ 24,020	100%	\$ 33,591	100%	\$ 42,509	100%
Food	\$ 3,238	26%	\$ 3,768	22%	\$ 4,349	18%	\$ 4,881	15%	\$ 5,502	13%
Alcoholic Beverages	\$ 155	1%	\$ 192	1%	\$ 275	1%	\$ 346	1%	\$ 433	1%
Housing	\$ 7,100	57%	\$ 8,540	49%	\$ 9,595	40%	\$ 11,240	33%	\$ 13,159	31%
Apparel and Services	\$ 994	8%	\$ 1,131	7%	\$ 1,176	5%	\$ 1,497	4%	\$ 1,692	4%
Transportation	\$ 3,951	32%	\$ 4,752	27%	\$ 5,275	22%	\$ 7,041	21%	\$ 8,651	20%
Health Care	\$ 1,854	15%	\$ 2,118	12%	\$ 2,289	10%	\$ 2,379	7%	\$ 2,598	6%
Entertainment	\$ 859	7%	\$ 1,002	6%	\$ 1,187	5%	\$ 1,561	5%	\$ 1,924	5%
Personal Care Products	\$ 351	3%	\$ 386	2%	\$ 432	2%	\$ 464	1%	\$ 551	1%
Reading	\$ 86	1%	\$ 83	0%	\$ 106	0%	\$ 109	0%	\$ 140	0%
Education	\$ 377	3%	\$ 448	3%	\$ 311	1%	\$ 368	1%	\$ 536	1%
Tobacco Products	\$ 249	2%	\$ 298	2%	\$ 364	2%	\$ 390	1%	\$ 401	1%
Misc	\$ 407	3%	\$ 501	3%	\$ 675	3%	\$ 808	2%	\$ 778	2%
Cash Contributions	\$ 507	4%	\$ 800	5%	\$ 981	4%	\$ 1,093	3%	\$ 1,182	3%
Personal Insurance and Pensions	\$ 790	6%	\$ 995	6%	\$ 1,822	8%	\$ 2,898	9%	\$ 4,239	10%
Total Ave Yearly Expenditures	\$ 20,918	168%	\$ 25,014	145%	\$ 28,837	120%	\$ 35,075	104%	\$ 41,786	98%

Source: U.S. 2000 Census, Bureau of Labor Statistics

Commercial redevelopment in low-income neighborhoods is often never attempted because of the widely held belief that residents are “too poor” to support local retail. As Table 7 demonstrates, low-income families must supplement taxable income and government transfer program benefits with other sources of funds to make ends meet. As unfortunate as this is, it demonstrates that low-income neighborhoods represent a viable market for consumer trade and commercial centers serving this population have an opportunity to do well. Whether through family loans or credit, consumers in these groups make up the gap between income and the cost of living well enough to generate hundreds of millions of dollars in sales. As income increases, the gap decreases, and overall spending rises. Total household expenditures are detailed by census tract in Table 8.

TABLE 8. 2002 HOUSEHOLD EXPENDITURES BY CENSUS TRACT

Brightmoor Census Tract	Total Expenditures
5434	\$ 56,369,314
5435	\$ 21,714,261
5436	\$ 24,663,804
5437	\$ 21,838,392
5438	\$ 21,714,261
5439	\$ 18,051,962
5440	\$ 48,638,904
5441	\$ 39,038,475
5442	\$ 38,266,699
5443	\$ 48,122,900
Total Expenditures	\$ 338,418,972

Source: U.S. 2000 Census, Bureau of Labor Statistics

These figures describe a market for consumer goods and services supported by the Brightmoor community that generates over \$300,000,000 in sales each year. Table 9 calculates the amounts Brightmoor residents spend in fourteen broad consumer categories.

TABLE 9. 2002 HOUSEHOLD EXPENDITURES

Consumer Categories	Brightmoor Expenditures	
Food	\$	48,094,722
Alcoholic Beverages	\$	3,250,296
Housing	\$	110,021,912
Apparel and Services	\$	14,192,727
Transportation	\$	66,293,389
Health Care	\$	24,382,164
Entertainment	\$	14,704,698
Personal Care Products	\$	4,779,031
Reading	\$	1,160,961
Education	\$	4,172,513
Tobacco Products	\$	3,789,723
Misc	\$	7,216,713
Cash Contributions	\$	10,397,858
Personal Insurance and Pensions	\$	25,962,265
Total Yearly Expenditures	\$	338,418,972

Source: U.S. 2000 Census, Bureau of Labor Statistics

The results detail the strength of the Brightmoor market for a diverse group of retail goods and services. To evaluate commercial opportunities for merchants locating on Fenkell Road, Zachary and Associates, Inc. studied market conditions in the surrounding area. Brightmoor spending preferences and existing retail venues are analyzed to calculate market demand in terms of sales per square foot. Table 10 describes existing supply and unmet demand in several retail categories.

TABLE 10. BRIGHTMOOR DEMAND BY CONSUMER SUB-GROUPS BY SQUARE FOOTAGE

Consumer Categories	Total Brightmoor Demand in Dollars	Total Demand in Square Feet by Use	Existing Supply in Square Feet	Unmet Demand in Square Feet
Food	\$ 48,094,722	208,493	95,538	112,955
Housing	\$ 110,021,912	75,178	11,965	63,213
Apparel and Services	\$ 14,192,727	96,324	20,411	75,913
Entertainment	\$ 14,704,698	84,516	21,234	63,282
Reading	\$ 1,160,961	7,528	0	7,528

Source: U.S. 2000 Census, Windshield Survey, Dollars & Cents of Shopping Centers:2004

The results show high demand and low supply in the Brightmoor market in three broad retail categories: food, apparel, and entertainment. Significant demand appears in two housing categories: housing, and household furnishings and equipment.

Unmet Demand for Preferred Goods

Food emerges as the retail category with the most promise for building a viable trade on Fenkell Road. The food classification includes several components; "Food Away from Home" has the greatest unmet demand in the Brightmoor market. Brightmoor households spend over \$20,000,000 a year in restaurants, fast-food stores, and other sources for prepared food. Currently, the Grand River commercial area absorbs only a third of the potential market. The balance of the demand for food away from home is spent in other neighborhoods. Putting aside for the moment the feasibility of a food service locating in the Guardian Bank Building, the figures indicate solid demand and predict businesses delivering prepared foods away from home will do well on Fenkell Road.

The figures in Table 10 are simply guides for measuring demand and not a guarantee of sales because they do not take into consideration other factors that affect business performance (such as owner competency, market changes, etc.) Nonetheless, Table 10 results probably underestimate Brightmoor market capacity. The Grand River commercial corridor relies on shoppers from a much greater area than the ten census tracts considered in this study. That implies that less of Brightmoor spending money supports the rate of sales per square foot those merchants earn and less of the neighborhood's available pot of money is actually spent on Grand River than is indicated in Table 10. That effectively increases demand and signifies greater potential sales for neighborhood retailers who meet the same quality standards as Grand River merchants but have the advantage of closer proximity to shoppers' homes. Demand measured in this way helps define the types of retail operations that would probably do well in the Brightmoor area given the demographics and shopping preferences of neighborhood residents. They do not address the feasibility of operating such a store in the Guardian Bank Building.

It is interesting to note that the calculations predict that some types of retail operations will not do well on Fenkell Road because they are over represented on Grand River. These include gasoline and other vehicle expenses, personal care products, and alcohol.

To summarize the findings of the Brightmoor Windshield Survey and the analysis of neighborhood consumer behavior, Zachary and Associates, Inc. found significant demand in several retail categories: food; housing repair products; household furniture and other equipment; clothing; entertainment goods and services. Neighborhood retailers on Fenkell Road could potentially capture a sizeable share of those markets. These findings are compatible with the recommendations found in the Brightmoor Alliance Revitalization Strategy Overview published in February 2001.

B. NEIGHBORHOOD PRIORITIES

Zachary and Associates, Inc. convened a focus group meeting to facilitate public involvement in the planning process for development of the Guardian Bank Building on Monday, April 26, 2004. Local stakeholders joined NDND and Zachary and Associates, Inc. staff in the community room of Mt. Vernon Missionary Baptist Church to discuss the potential role of the property in the revitalization of the Brightmoor neighborhood.

Approximately twenty people from the neighborhood, including residents, local business owners, church leaders, and representatives from community service agencies discussed life in Brightmoor. Zachary and Associates, Inc., asked participants to talk about neighborhood history, assess current conditions, and identify opportunities for improving community life. Finally, group members ranked their suggestions in order of importance to the area's revitalization. The following sections list the issues and concerns expressed by participants during the course of the meeting.

History

Participants were asked to consider how Brightmoor became the community it is today. Their speculations on past events and understanding of the forces that led to the current state of affairs are summarized below.

- Brightmoor was a solid, middle-income, blue-collar neighborhood, home to many autoworkers.
- Strong commercial activity in the area meant residents could easily walk to stores for the goods and services they needed in their daily lives.
- In the past, crime was not a problem in Brightmoor and residents felt safe.
- At some point, Ford Motor Company employees began leaving Brightmoor.
- Brightmoor experienced a noticeable shift in racial makeup.
- The crack epidemic took a tremendous toll on the neighborhood. Drugs, crime, and unemployment continue to be a problem.
- The current surplus of vacant buildings and lots contrasts sharply with fond memories of a very densely occupied neighborhood.

The Current Situation: Weaknesses

After a look at the past, group members turned their attention to the current situation and began with an assessment of neighborhood weaknesses. Their responses identified grave deficiencies in three significant aspects of community life.

Housing

- Existing housing stock is old and in poor condition.
- There are too many poorly maintained vacant buildings and lots.
- Property owners are not held responsible for burned and abandoned buildings.
- Second generation Brightmoor families often cannot properly maintain homes they have inherited.
- Absentee slumlords own much of the neighborhood's sub-standard housing.
- Most Brightmoor homes are occupied by renters, which negatively impacts neighborhood stability and property upkeep.

Crime and Police Protection

- Crime and prostitution are strong deterrents to legitimate businesses.
- The cost of supplying police protection at adequate levels is too expensive.
- Police should adopt a more targeted approach to high crime areas.
- Areas with new construction need more police protection.
- Two separate police precincts administer the neighborhood and residents speculated this might create problems that account for the area's poor service.
- Several participants mentioned "Broken Window" programs and felt police in Brightmoor should adopt a similar policy of immediate attention to vandalized property.
- Illegal dumping in the neighborhood continues unchallenged by police.

Economic Opportunity

- Most participants believe there is an urgent need for neighborhood job training programs.
- The neighborhood offers few employment opportunities for its youth.
- Business owners find it difficult to keep employees and are discouraged from investing in property improvements because of high crime and vandalism.
- Many observed that no new businesses have come to Brightmoor in years and complained there are no programs to recruit or assist new businesses.
- Retiring business owners have no one to succeed them.
- Residents believe businesses have little incentive for locating in Brightmoor.
- The poverty rate in the neighborhood has increased dramatically in recent years.

The Current Situation: Strengths

In spite of this long list of shortcomings, participants shared a firm belief that neighborhood strengths are quite significant and are the source of the community spirit driving revitalization efforts.

Community Involvement

- Most believe Brightmoor's greatest strength is the strong dedication of residents and church groups to the neighborhood.
- Participants spoke of a faith-based network that provides food, clothing, counseling, and referral services to those in need, as well as "spiritual nourishment."

Existing Businesses and Services

- Neighborhood residents are pleased with the increase in health services available in Brightmoor including free health screening.
- Other positive signs of reinvestment in the area include the new U.S. Post Office, new housing, and the Brightmoor Community Center.
- Brightmoor has a good restaurant that draws people to the area and several successful businesses along Fenkell Road that could act as a "springboard" for further development.

Opportunities

The last portion of the session was a lively exchange of ideas on the opportunities for future growth and development in Brightmoor. Zachary and Associates, Inc. staff recorded the suggestions on large sheets of paper. To determine a sense of neighborhood priorities, participants were asked to place green dots next to the ideas they felt had the most potential for bringing desired changes to the neighborhood. The votes were tallied and the results are presented below.

First Priority

- **Neighborhood based stores and jobs.**

Participants felt a strong desire to increase shopping and employment opportunities in the neighborhood. Currently they are compelled to travel elsewhere to shop and find necessary services. With inadequate public transportation options available to residents, the routine tasks of life become major outings, particularly for those without a car. Ideally, residents envision a place where the goods and services they need to run their households are available within walking distance of their homes. Nearly all participants expressed the wish for a grocery store, bank, and dry cleaner to locate in the neighborhood. Others hoped the neighborhood could develop a co-op center that would include a credit union and food store.

The group felt the neighborhood needs to develop strategies to attract new businesses to the area. Adding more housing and improving existing housing, cleaning up neighborhood blight, and increasing police protection would benefit existing businesses and make the area more inviting to new businesses. Current business owners spoke of the difficulty in keeping employees happy in Brightmoor locations because of crime and the lack of goods and services nearby. Adequate parking and local day-care services would improve employee satisfaction. The group felt the community needs to reach out to creative business people and help them locate innovative businesses in the area clustered near existing successful businesses, particularly on Fenkell Road.

More neighborhood employment opportunities were considered essential to the revitalization of Brightmoor. Most participants believe there is an urgent need for neighborhood jobs for young people and reason that increased commercial activity on Fenkell Road would create many suitable positions for local youths. This led to a discussion of improving the "employability" of neighborhood residents, which is discussed below.

Second Priority

- **Develop neighborhood's potential as a "walkable" area.**

The vision of a "walkable" community has two components; locating more stores within walking distance, and physical improvements to the streetscape. Successful existing commercial pockets within the neighborhood should be identified and future retail growth should be directed to those areas. Improvements to the streetscape to enhance pedestrian access and safety include increasing building density through infill construction, adopting uniform setbacks for new construction, and improvements in lighting, sidewalk maintenance, and landscape design. A network of walkways connecting neighborhood green spaces and natural areas was suggested. Participants believe the neighborhood has great potential and would like to see more sidewalk plantings and other scenic improvements.

Third Priority

- **Increase Brightmoor's appeal as a Detroit destination.**

Increased commercial activity, growth in healthcare and other community services, upgrading neighborhood housing stock, and improvements to the physical environment would make Brightmoor a more desirable place to live and do business. Participants would like to make Brightmoor a "first choice" destination for Detroiters looking for unique shopping and recreation opportunities.

Fourth Priority

- **Establish job-training programs and offer more social services.**

Building the job skills of Brightmoor residents, particularly young people, would bring extensive benefits to the neighborhood. Creating a well-trained pool of local workers would increase the stability of existing businesses, attract new businesses, and expand the range of employment opportunities for Brightmoor residents. The group recommended establishing job-training programs in many fields, particularly the building trades. Providing daycare and other support services for working parents should be considered an important component of any training initiative.

Participants envisioned an active neighborhood center offering job training, career counseling, and perhaps incorporating a co-op credit union or food store. Outreach programs at the center might also include classes teaching basic skills like cooking and home repair. The neighborhood center could serve as a centralized source of information on public assistance programs, educational opportunities, and community organizations and events. The group described a neighborhood center that would act as a focal point for social events, educational activities, and cooperative ventures to improve the quality of life in Brightmoor and become a source of community pride and identity.

C. NEIGHBORHOOD COMMERCIAL PREFERENCES

This section examines the results of the Brightmoor Neighborhood Survey, a one-page questionnaire developed by Zachary and Associates, Inc. to measure demand for neighborhood based commercial and human resource services. Survey results provide significant criteria for evaluating redevelopment alternatives for the Guardian Bank Building. Distributed to members of the Brightmoor Alliance and neighborhood congregations, schools, and service agencies, the survey provided an additional opportunity for area residents to participate in creating a plan for the historic building that advances community goals and aspirations. Survey results are analyzed for evidence of neighborhood consensus on the most desirable course for revitalizing the Fenkell Road commercial corridor.

Methodology

Zachary and Associates, Inc. mailed the Brightmoor Neighborhood Survey and a cover letter explaining the purpose of the survey to forty-four members of the Brightmoor Alliance and other neighborhood stakeholders. Samples of the survey and cover letter are included in the Appendix. To facilitate access to a larger pool of respondents, the cover letter requested that recipients affiliated with neighborhood groups distribute the survey to their associates. Zachary and Associates, Inc. contacted the Thea Bowman Health Center and the U.S. Post Office Brightmoor Station to secure permission for distributing the survey to their employees. Many Health Center employees responded to the survey. Zachary and Associates, Inc. received 127 responses to the Brightmoor Neighborhood Survey over the course of eight weeks.

Demographics

Table 11 summarizes the demographic characteristics of respondents to the Brightmoor Neighborhood Survey.

TABLE 11. PROFILE OF SURVEY RESPONDENTS

To develop a profile of respondents, indicate sex, age, income.			
Sex		Number	Percentage
	Female	64	50%
	Male	30	24%
	N/A	33	26%
Age		Number	Percentage
	Under 18	4	3%
	18 - 25	2	2%
	26 - 49	74	58%
	50 - 64	30	24%
	65 +	11	9%
	N/A	6	5%
Income		Number	Percentage
	Under \$15,000	31	24%
	\$15,000 - \$24,999	18	14%
	\$25,000 - \$49,000	25	20%
	\$50,000 +	20	16%
	N/A	33	26%

Of the total number of people who responded to the Brightmoor Neighborhood Survey, it appears most were female, though a significant number did not indicate their sex. Marketers believe women have the greatest influence on household spending decisions

and pay close attention to their likes and dislikes. A large majority of respondents were between the ages of 26 and 49, another group whose preferences marketers find especially noteworthy. Survey respondents who indicated annual income fall in nearly equal groups above and below the \$25,000 a year mark. However, only 73% of survey participants provided that information. In summary, most responders to the Brightmoor Neighborhood Survey belong to at least two consumer groups considered reliable guides to market trends and preferences by consumer analysts.

Neighborhood Connections

The following tables describe the nature of survey participants' connections to Brightmoor (neighborhood resident, employee, visitor, etc), where they go in the neighborhood and how they get there. The survey allowed participants to choose more than one neighborhood activity, so affirmative responses to one behavior do not exclude others and will total more than 100%. This presents a more accurate picture of the amount of activity in the neighborhood while still indicating the most favored choices.

TABLE 12. ACTIVITIES IN BRIGHTMOOR

What do you do in Brightmoor? Check all that apply.		
Activity	Number	Percentage
Visit friends/family	61	16%
Work in area	51	40%
Use parks	50	39%
Rent	46	36%
Children in school	36	28%
Own house	21	16%
N/A	6	5%

The majority of people who responded to the survey have friends and family in Brightmoor. Most survey respondents rent homes in Brightmoor and a much smaller number own homes in the neighborhood. Forty percent of those surveyed are employed in the neighborhood. The park seems to be a popular destination. From other survey comments, attending church in Brightmoor is another favorite activity, not surprising given the number of neighborhood parishioners who participated.

Table 13 lists the neighborhoods where survey participants reside. The difference between the number of people who own or rent homes in Brightmoor, as shown in Table 6, may indicate that some survey respondents who own neighborhood houses do not currently reside in them. Nearly 40% of the people surveyed live in Brightmoor.

TABLE 13. RESPONDENT RESIDENCE

Where do you live?		
Neighborhood	Number	Percentage
Brightmoor	49	40%
Detroit	6	5%
Minock Park	3	2%
Bagley Community	2	1%
Oakman Boulevard	2	1%
Other	33	26%
N/A	32	25%

Generally, the people who answered the survey have significant ties to the neighborhood, and have lived there for many years. An overwhelming number of respondents were adult household decision makers implying they make daily choices about where to shop and are directly impacted by the availability of goods and services in the neighborhood.

Table 14 results show which existing neighborhood stores survey participants currently patronize and are summarized below. Again, because participants chose more than one option, percentages total more than 100.

TABLE 14. BRIGHTMOOR SHOPPING

What do you do in Brightmoor? Check all that apply.		
Shop	Number	Percentage
Restaurants	76	60%
Dollar store	71	56%
Party store	59	44%
Drug store	52	41%
Hardware	44	35%
Resale	30	24%
Auto service/Parts	22	17%
Furniture	10	8%
Do not shop in Brightmoor	25	20%

Restaurants, the dollar store, and the party store appear to be the favorite neighborhood shops. A significant number of people do not shop in the neighborhood at all. Results in Table 15 record the number of survey respondents who currently take advantage of existing non-commercial neighborhood services. Again, because participants chose more than one option, percentages total more than 100.

TABLE 15. BRIGHTMOOR SERVICES

What do you do in Brightmoor? Check all that apply.		
Service	Number	Percentage
Post office	85	67%
Education	63	50%
Medical	35	28%
Day care	21	16%
Police	18	14%
Social services	16	13%
Do not use Brightmoor services	17	13%

Table 15 indicates that the Post Office is a valuable neighborhood asset and the recent improvements undoubtedly facilitate accessing postal services for a large number of Brightmoor people. The high number of respondents who take advantage of educational opportunities may include people who attend adult education classes and/or send their children to the neighborhood school. Generally, the rate of patronage of local commercial and non-commercial venues indicates an appreciation for the convenience of neighborhood shopping and predicts a healthy demand for more shopping and service opportunities.

Neighborhood Access

People who responded usually rely on a car for access to the places they frequent in Brightmoor, as shown in Table 16. Please note, some respondents choose more than one item.

TABLE 16. NEIGHBORHOOD ACCESS

Do you usually walk/drive/take bus to locations in Brightmoor?		
Transportation choice	Number	Percentage
Walk	37	29%
Drive	74	58%
Bus	8	6%
N/A	32	25%

It is interesting to note that although most people currently drive to Brightmoor locations; participants in the Focus Group Meeting (discussed in Section B) expressed the strong desire for making Brightmoor more “walkable.” Optional survey comments also confirm this preference for walking to neighborhood shops and services.

Desired Neighborhood Goods and Services

Survey respondents were asked to choose five stores or services they would like to have available in Brightmoor from a list of twenty-two different options. The commercial goods and services results are summarized in Table 17.

TABLE 17. COMMERCIAL PREFERENCES

Choose five stores you'd like to see in Brightmoor.		
Commercial Goods/Services	Number	Percentage
Bakery	59	46%
Book Store	54	42%
Clothing Store	52	41%
Drug Store	49	39%
Shoe	43	34%
Bank/Credit Union	34	27%
Pet Shop/Supplies	34	27%
Specialty Food	31	24%
Laundry/Dry Cleaners	30	24%
Building Materials	27	21%
Sporting Goods	25	20%
Cards/Gifts	16	13%
Florist/Garden Center	14	11%
Toys/Games/Hobbies	13	10%
Home Furnishings/Appliances	12	9%
Office Supplies/Art Supplies	10	8%
Jewelry Store	9	7%
Camera/Photo Supplies	2	2%

The favorite type of commercial establishment among those who answered was overwhelmingly a bakery, a very traditional neighborhood asset. A book store, clothing store, and shoe store were also popular choices, as were a bank, drug store, dry cleaners, and specialty food store. A grocery store was an overwhelmingly popular write-in favorite. This range of choices presents a mix of commercial choices that are

traditionally grouped together as “neighborhood retail” by planners and marketing specialists. These stores support the everyday needs of people who live within a one to five mile radius of the area.

The neighborhood service preferences of survey responders are outlined in Table 18 below and indicate a similar desire for neighborhood amenities that support everyday living.

TABLE 18. SERVICE PREFERENCES

Choose five stores you'd like to see in Brightmoor.		
Service	Number	Percentage
Job training/Education	97	76%
Health	28	22%
Professional Services	12	9%

The responses recorded in Table 18 show a remarkable solidarity among survey participants in their desire for neighborhood job training and other educational opportunities beyond those offered by area schools. The magnitude of preference for this service, 76% of total respondents, clearly illustrates strong demand.

Conclusion

The 127 people who participated in the Brightmoor Neighborhood Survey comprise a mixed group of area residents and employees whose connection and tenure in the neighborhood qualify them as stakeholders. Their responses show an appreciation for existing neighborhood amenities and a desire to bring more goods and services to the area that would have a significant positive impact on Brightmoor life. Over 76% of responders would like to see more neighborhood-based job training and education opportunities, and it is interesting to note that people who attended the April focus group meeting also identified this as a top priority for future neighborhood redevelopment initiatives. The next four most popular choices were all commercial retail uses: a bakery, book store, clothing store, and drug store. The bakery and drug store are considered basic “neighborhood retail” activities, meaning they support everyday shopping needs while positively contributing to the quality of life in the area. Increasing commercial activity through small, local retail establishments builds community, provides jobs, brings desirable activity to the streets and improves the appearance of the commercial corridor. The survey responses reflect a strong desire for developing a neighborhood whose amenities combine to make it a desirable, convenient, enjoyable place to live and work.

D. TENANT REQUIREMENTS

Zachary and Associates, Inc. conducted a survey of Detroit agencies involved in career training and related economic development activities to study the feasibility of locating a neighborhood training program in the Guardian Bank Building. To establish a meaningful context for analyzing the facility survey results, this section begins with a brief description of the administration and delivery of career training services in Detroit. Information gathered from the survey and other relevant sources is analyzed and used to develop a practical set of criteria for evaluating the Guardian Bank Building's suitability as a training facility.

Training Programs in Detroit

The state of Michigan has a large and innovative program, Michigan Works! Association, for facilitating connections between employers, job training professionals, job seekers, and the federal and state programs that fund workforce development activities throughout the state. Michigan Works! Association oversees a wide variety of programs designed to help employers find skilled workers and to help job seekers find satisfying careers. Detroit is one of twenty-five Michigan Workforce areas that develops a comprehensive community-based strategic planning process involving all career development partners in the area. A Brightmoor training program would function as a partner in the Michigan Works! Association and would coordinate career development services through the Detroit Workforce Development Department. The local agency acts as a conduit for state funds and services to reach local agencies who deliver training services in various locations throughout the city. Six Detroit One-Stop-Job-Centers permit clients to check job listings, create resumes, and receive training services in one location. The Michigan Works! Association's system is thoroughly integrated in Detroit's human resource sector, and several governing bodies, agencies, and institutions establish and deliver an array of programs and services. The dense development of different programs seems to allow each agency a reasonable amount of flexibility in designing client services. Some of the programs administered by the state to local agencies include Welfare Reform Programs including Work First, Welfare-to-Work, and others that provide job search assistance, training, and appropriate supportive services to Family Independence Program participants, and other targeted populations.

Preliminary research indicated that the Guardian Bank Building would not provide sufficient space for operating a One-Stop-Job-Center. Therefore, this report does not specify the programming requirements for that use. However, excerpts from the One-Stop-Job-Center Operator RFP for PY 2003 - 2005 from the Detroit Workforce Development Department found in the Appendix outline typical facility requirements and can assist NDND in identifying a more appropriate Brightmoor property if they decide to pursue establishing a One-Stop-Job-Center in the neighborhood. Not all agencies are located at these centers, and most seek space at other sites. The discussion that follows evaluates the Guardian Bank Building as a location for one or more workforce development agencies to operate independently or in partnership with fellow tenants.

Methodology - Zachary and Associates, Inc. surveyed agencies listed as subcontractors in the Detroit Work First Program to solicit information on the square footage and programming features of their training facilities. Zachary and Associates, Inc. chose 109 agencies registered with the Department of Social Services whose mission and clientele distinguished them as potential recruits to the Brightmoor area. The selected agencies comprised a varied group of large and small, secular and faith-based training organizations serving distinct population groups that included young, middle-aged, elderly, displaced, difficult to employ, and re-entry job seekers. The targeted agencies offered skill training programs in fields as diverse as computer proficiency, literacy, carpentry, medical technology, entrepreneurship, and truck driving. The Detroit Community Service Agency Survey and the accompanying cover letter are included in the Appendix.

Of the 109 surveys mailed, twelve were returned to Zachary and Associates, Inc. Seven surveys were completed and returned by training agencies; five were rejected by the Post Office as undeliverable. The seven completed surveys provided valuable information on the facility requirements of a diverse group of agencies and significantly

augmented information gathered by Zachary and Associates, Inc. through additional phone interviews and extensive research. The survey respondents expressed an interest in learning more about the Guardian Bank Building and indicated they might consider the building as a future site. Through follow-up phone calls, Zachary and Associates, Inc. learned more about the facility preferences and future plans of those potential tenants. These sources combined to create a detailed picture of the practices and building program needs of the human resource agencies involved in career training activities in the city of Detroit.

Organization Profiles

All agencies involved in the survey are non-profit organizations and receive state and federal funding through the Michigan Works! Association program administered by the City of Detroit's Workforce Development Department. Survey results and research confirm that Detroit training agencies offer a variety of services compatible with the priorities defined by community residents to enhance job skills and expand employment opportunities for Brightmoor residents.

Many agencies expressed willingness to consider new venues for delivering services and for tailoring those services to fit the needs of the target population. Surprisingly, many agencies intensely involved in large, established programs continue to seek new opportunities for serving Detroiters. Though one or two training agencies felt the need to limit their activities to existing programs, most groups were very receptive to exploring training options in Brightmoor.

Flexibility in the design and delivery of services indicates the need for flexible floor space that can adapt easily to program changes and new opportunities. It is interesting to note that factors like staff size and annual operating revenue are not reliable predictors of the amount of space or the building program an agency will prefer when choosing a facility; more significant determinants of building specifications are the types of services provided and agency operating procedures. The impact these factors have on the building program are discussed in greater detail in following sections.

Facility Information for Training Centers

LOCATION: In all interviews with Detroit training agencies, respondents stressed the importance of locating in facilities where other human resource agencies operate. Proximity to agencies offering related services to similar populations facilitated the formation of partnerships between agencies. By forging partnerships, agencies achieve greater "reach" into neighborhoods, increase access to target populations, and often gain much needed financial or organizational support. Partnerships between agencies stimulate creative ideas and program adaptations that can improve an agency's productivity and effectiveness in delivering services to clients and their families. Another important consideration for agencies in evaluating a potential site is proximity to one of Detroit's six Michigan Works! One-Stop-Job-Centers. Many training agencies operate within one or more of the One-Stop-Job-Centers. Those agencies not located at a Job Center will often rent space together at a nearby facility creating clusters of support services for job seekers throughout the city. Proximity to public transportation services is also considered desirable.

PROGRAMMING: The survey found that preferences for certain types of space varied with the type of services offered. Agencies offering a changing variety of programs in individual and group instruction at one location expressed a strong preference for flexible floor space, a quality even more important than gross square footage. Many agencies

have large open spaces that they partition to accommodate activities involving groups of different sizes. These configurations can change from one semester to another depending on enrollment and class offerings. Of course all agencies require access to adequate restroom facilities for clients and staff.

Most agencies do not require specialized equipment or room configurations, though this varies depending on the type of service provided. Training in computer skills is an obvious exception. Zachary and Associates, Inc. found those agencies that use specialized equipment provide their own machines and seek buildings with adequate space and upgraded mechanical features to accommodate them (i.e. internet access or sufficient electrical power). In addition, training activities seem to require two types of space: "clean" space for individual tutoring, academic or computer skills training, and "messy" space capable of accommodating classes in carpentry, auto repair, dry walling, etc. Generally, demand for "clean" space is greater than demand for "messy" space.

To summarize programming requirements, training agencies generally require four different types of space to function effectively.

Administrative: Space to accommodate clerical activities and other administrative functions; may include private offices, conference room, staff room.

General Classroom: All-purpose space for a variety of instructional activities; flexible space to accommodate individual tutoring and various class sizes; up-graded mechanicals allow use of specialized equipment; "clean" space.

Workshop: Flexible, all-purpose space to accommodate "messy" activities like carpentry, auto repair, painting, etc.; up-graded mechanicals allow use of specialized equipment.

Specialized: Lecture halls with audio-visual equipment; special labs; kitchens, etc.

Most survey respondents rent space that is part of a larger building with other non-profit tenants occupying other parts of the building. Some buildings have common areas shared by several agencies. Zachary and Associates, Inc. identified three basic models for training agency operations in Detroit which predict the type of facility an organization requires. There are variations and exceptions within each model, but for the purposes of this study, these models illustrate the building programs of different training facility types and help determine the Guardian Bank Building's potential for such a use.

- **The first model** locates all agency operations at **one site** in both **large and small** facilities that accommodate **administrative** and **general classroom** uses and perhaps **workshop** and **specialized** spaces.
- **The second model** puts administrative operations in one location with all client services delivered regularly over an extended period of time at **satellite** locations within other institutions, such as schools or churches. These agencies may be **large or small** and require **space for administrative activities at their home site**. They seek **off-site**

classroom and/or workshop space and perhaps administrative and specialized space.

- **The third model** places administrative and client services in one location with additional services offered regularly for long or brief periods at other satellite sites. These agencies require **administrative, classroom and/or workshop space** and possibly **specialized space at their home site** and seek additional **classroom/workshop and/or specialized spaces at various off-site locations.**

SQUARE FOOTAGE: Square footage requirements differ depending on which model the agency follows and the number of clients served at one time. Generally, the amount of square footage any agency requires is directly linked to how and where they deliver their services. Some agencies involved in support services for training groups (outreach to schools, writing grants, advocacy, etc.) have no need for classroom space and occupy the minimum amount of square footage reported. Other diversified agencies offer support services to other groups and accommodate administrative and training activities at one location. Survey respondents reported a wide range of space needs, from a low of 750 square feet to a maximum 10,000 square feet. Because of the variety in operational models and services offered, no firm standards for square footage emerged from this investigation. Agencies appear to be very resourceful and adapt their spaces to changing circumstances and opportunities. However, Zachary and Associates, Inc. ascertained that agencies offering tutoring or classroom services for up to eight students at one time with support staff present occupied a minimum of 1,000 to 1,500 square feet.

PARKING: Though the facility survey did not address parking issues, every agency contacted by phone mentioned the need for adequate, secure, convenient parking for staff and clients. Parking needs vary with the size of staff and the number of clients served at one time. A common sense method of estimating maximum parking demand combines the number of instructors required to train the maximum number of clients likely to be in the building at one time; add that figure to the number of support staff needed to operate at full capacity and consider that greater than real maximum demand. In many cases proximity to bus lines reduces the need for parking spaces. Agency estimates of required parking spaces when operating at full capacity ranged from 10 to over 100.

OFF-SITE RENTALS: Most agencies contacted rent additional conference or classroom space at other sites for special conferences or meetings at least two times per year. Capacity demands for these off-site spaces fall into three ranges: up to 25 people, 60 to 100 people, and 200 to 500 people. Survey respondents rented conference rooms more often than classrooms, and one group rented "forum" space for 300 people several times a year. Generally there appears to be demand for extra conference and classroom space for special events and other agency functions. As described above, off-site classroom rentals allow agencies to engage in neighborhood outreach activities by offering regular weekly classes in sessions of varying lengths at locations around the city.

Evaluating the Guardian Bank Building Using Survey Criteria ***Summary of Agency Profiles***

The organizations surveyed by Zachary and Associates, Inc. were well aware of the challenges facing the Brightmoor community, characterized it as an "underserved" area,

and believed neighborhood demand was sufficient to sustain a variety of training programs.

The ability of any one agency to provide a variety of services and their willingness to adapt to the particular needs of new client groups made it difficult for some organizations to describe how they might operate in Brightmoor. Many were reluctant to limit themselves to a particular operational model or specific facility requirements. Most agencies expressed genuine interest in working with communities to design "customized" training programs and were willing to explore ways of adapting their services, if necessary, to Brightmoor's community.

Criteria: Training organization profiles suggest agencies offer a variety of services and many are capable of responding to new opportunities by adapting or expanding existing programs. Agencies demand flexible floor space in facilities of various sizes, and with the versatility to easily adapt to changing needs.

Conclusion: Training organizations contacted by Zachary and Associates, Inc. demonstrated interest and a cooperative, flexible attitude toward delivering training services in Brightmoor. Agencies suggested programs could be developed to fit the needs of the community and the available space. This is an encouraging indication of the feasibility of establishing a career training and development program in the neighborhood. The two-story Guardian Bank Building is quite capable of satisfying these requirements. With approximately 4,143 square feet of open, flexible floor space accessible on two floors, an additional mezzanine area of 998 square feet, and 1,846 square feet in the basement, the property could potentially provide administrative, general classroom and workshop space as a home site or satellite site for all three agency model types.

Summary of Facility Requirements and Evaluation of Guardian Bank Building

LOCATION

- Criteria: Survey responses suggest a demand for facilities located in close proximity to bus lines, a Detroit One-Stop-Job-Center, and other human resource agencies to facilitate partnerships between organizations offering similar or complementary services.

- Conclusion: The Guardian Bank Building is located on a city bus line that travels Fenkell Road. The Guardian Bank Building is 2.7 miles from the One-Stop-Job-Center at 15400 Grand River Avenue near Greenfield Road. Given the demand for spaces of various sizes, the Guardian Bank Building could potentially accommodate several training agencies.

PROGRAMMING

- Criteria: Programming preferences suggest a demand for standard, open, and flexible floor space in facilities of various sizes, with a preference for buildings with updated mechanics and the versatility to easily adapt to changing needs. Depending on the agency model, training organizations require one or any combination of administrative, general classroom, workshop or specialized types of spaces.

- Conclusion: The Guardian Bank Building's main floors offer open and flexible multi-purpose space that could easily be partitioned for any number of uses. The building is perhaps best suited for "clean" administrative and general classroom uses, but workshop and specialized uses could possibly be accommodated on any of the floors with proper modifications.

SQUARE FOOTAGE

- Criteria: Survey responses confirm the demand for a range of space sizes. A minimum of 1,000 to 1,500 square feet was standard for agencies contacted who offered tutoring or classroom services for up to eight people at a time. Flexible, multi-purpose space allows many other combinations of administrative and classroom activities in one facility and, in effect, stretches the capacity of each square foot.
- Conclusion: With over 4,143 square feet of flexible open floor space on the first and second floor, the Guardian Bank Building could easily accommodate two agencies offering tutoring services for up to eight people at any one time. Many other occupancy scenarios are possible given the building's multi-purpose, open, and flexible space, the building could potentially accommodate from one to possibly four or five different agencies engaged in various kinds of activities. If several agencies occupy the building, grouping those engaged in similar activities on the same floor or around a shared common area are just two of many resourceful ways agencies increase space efficiency. The square footage is adequate to accommodate a number of different uses, in various configurations and would be appropriate for small, medium, and large agency operations.

PARKING

- Criteria: As with most public facilities in Detroit, parking is an important consideration and all agencies contacted confirmed demand for adequate, secure, convenient parking for staff and clients. The number of clients and instructional and support staff occupying the building determines the maximum parking demand. Nearby public transportation eases parking demand in some areas.
- Conclusion: The Guardian Bank Building does not offer adequate parking under current site conditions. The building's location on the Fenkell Road bus route mitigates some of the parking demand, and there is some parking available on side streets. For the Guardian Bank Building to function as an agency serving a steady and continuous turnover over of clients arriving by car, additional measures for meeting parking demand would need to be developed.

OFF-SITE RENTALS

- Criteria: Detroit workforce development agencies confirm demand for off-site conference and classroom space rental. These arrangements include regular long-term rentals, and single event rentals. Agencies indicate the need for off-site event rentals to occur from two to five times per year.
- Conclusion: Conference room or classroom space in the Guardian Bank Building could be rented for use by outside groups when not in use by the tenant

agencies but adds additional administrative costs that may discourage the practice.

It should be noted that the criteria generated through the Detroit Community Service Agency Survey could also be applied to other Brightmoor properties as NDND explores several possible scenarios for establishing a comprehensive training program in the neighborhood.

Needed neighborhood uses, such as a grocery store and drug store, were eliminated as a recommended reuse option because the Guardian Bank Building is not the appropriate, or is rather atypical, structure to house such a use. The Guardian Bank Building may accommodate the demand for a number of different neighborhood based businesses in Brightmoor, particularly if the mezzanine level is renovated as rentable space. The four most desirable adaptive reuse concepts by the community are as follows:

- a job training center,
- a neighborhood bakery,
- a book store, and
- a clothing store.

Job Training Center

A job training center generated the most enthusiasm from residents and employees, and is the primary recommended use for the building. An analysis of the research illustrates that a job training center is in high demand in Brightmoor, will provide much-needed services to the community, and is a compatible reuse concept for the Guardian Bank Building. Brightmoor offers some adult educational classes, but there is not an official job training center in the community. A job training center has the potential to increase the job marketability of residents, thus, increase their ability to find and retain a job. Also, the incorporation of a small business incubator in the training center could help foster the creation of new commercial activities along Fenkell Road.

The focus group meeting and the Brightmoor Neighborhood Survey indicate there is a demand for a job training center in Brightmoor. In addition, both the City and organizations already involved in job training activities in Detroit identified Brightmoor as a distressed area that has a great need for a training center. Six training organizations expressed interest in either relocating all or some of their activities to the Guardian Bank Building. Some training organizations might even consider establishing a new training center within the Guardian Bank Building.

A non-profit job training center in the Guardian Bank Building not only takes advantage of the proven market demand, but may also utilize publicly-based financing for the building's rehabilitation. Financial resources that may be available for the renovation of the Guardian Bank Building include, but are not limited to: the Nonprofit Facilities Center Funds, Federal Historic Tax Credits, and Single Business Tax Credits. Please note these financing options may also be available for the other three adaptive reuse concepts.

Based upon responses to the job training survey, the Guardian Bank Building can be designed to accommodate one or more training organizations. Most organizations require flexible floor space that can be adapted for conference, classroom, office space, and workshop/training space. Many organizations need additional offsite space for special events, conferences or classroom space. It is unlikely the Guardian Bank Building can be supported solely by renting out space for only special events. If the building is renovated as a job training center, it is best suited for "clean" administrative and general classroom uses.

To ensure the success of this kind of development for the Guardian Bank Building, further consultation and networking with interested training organizations must occur.

There are several local training organizations interested in providing services to the Brightmoor community. These organizations may be open to developing a new program which accommodates the unique needs of the area.

Neighborhood Bakery

A neighborhood bakery on Fenkell Road was the second most popular request for new businesses in Brightmoor. Presently, there are no bakeries located on Fenkell Road, within Brightmoor's boundaries. One of the nearest local bakeries is Knudsen's Danish Bakery at 18601 W. McNichols, approximately four blocks west of the Southfield Freeway at Greenview. A bakery is not only highly desired by the community, but it has the potential to be a new job generator in the neighborhood.

There are several bakeries in Detroit that have located in distressed areas and been successful. Avalon International Breads, a neighborhood bakery in the Cass Corridor on West Willis near Cass Avenue, opened when the Cass Corridor was not considered a desirable place to live and conduct business. This bakery was a catalyst for the area. It encouraged property owners to reinvest in the area and helped attract other businesses to the neighborhood. Another very successful bakery is the Mexicantown Bakery located in southwest Detroit on Vernor Avenue. This bakery is approximately ten years old and has expanded its business to include catering, and specializes in celebration cakes, such as birthday or anniversary cakes. Avalon International Breads and the Mexicantown Bakery conduct all of their baking onsite, have expanded their services over the years to include some grocery items and catering services, and the number of employees have increased since their initial opening. Many of the employees at these two bakeries live in the surrounding neighborhoods. It is important to note that both Avalon International Breads and the Mexicantown Bakery are located in renovated spaces. The first floor of the Guardian Bank Building could be renovated to accommodate a bakery with offices located either on the second floor or in the basement.

Economically, the adaptive reuse of Guardian Bank Building for a bakery could be supported providing the bakery can provide the necessary rent. It is likely that initially, if ever, a bakery would not occupy the entire building. Thus, the rest of the building would have to be leased to another business. For example, given the varied square footage utilized by job training organizations, it is possible the remaining square footage of the building could be rented to one or more job training organizations.

The challenge to the renovation of the Guardian Bank Building for a bakery is not the actual use, but finding a business that wants to locate a bakery in this neighborhood. Research shows there is a market demand for a bakery in this area, however, marketing the idea of a bakery in Brightmoor would have to be conducted in order to discover if there is an individual or current business owner that is willing to open a bakery within the Guardian Bank Building.

Book Store

One of the neighborhood related businesses that was in demand in this community is a book store. If a book store was established at this site, it would likely be a secondary use located on either the first or second story of the building. Recently Detroit has been successful in attracting a Barnes & Nobel book store in the Cultural Center and a Borders book store in downtown Detroit. Unfortunately, neither store is particularly large when compared to their numerous suburban locations. In addition, both stores are

located in close proximity to the large employment and student pool that exists in the Greater Downtown Area. The Guardian Bank Building is a much smaller site than where *these companies typically locate their stores*, and it is unlikely either company would consider locating a small book store within the Guardian Bank Building, given the demographics of the area when compared to the Cultural Center and downtown Detroit. Unless an individual can be found to establish an independent book store in Brightmoor, it is unlikely a book store is the best use for the building at this time.

One alternative to a book store may be to provide space for people to swap books they have already read with books they wish to read. This could mean dedicating a small room to the collection of books and organizing volunteers to maintain the room. The room could be located in the back of the building so not to disturb the businesses located in the remaining space. The downside to utilizing one room for swapping books is that it is unlikely rent would be generated from this use. Rents from other businesses in the building would have to be sufficient to cover the costs of this use. Community support can be gained by supplying rent free space to such an undertaking. It also demonstrates NDND's desire to work with the community in the renovation of the building and in planning the revitalization of the neighborhood.

Clothing Store

Survey results place a clothing store as one of the top desired neighborhood businesses the community would like to see in Brightmoor. The idea of the adaptive reuse of the Guardian Bank Building into a clothing store is feasible for at least a portion of the building. Throughout the city, many structures have been renovated for clothing stores. For example, the men's clothing store Seaman's in downtown Detroit is located in an historic building. However, like the book store, the challenge to this adaptive reuse concept involves recruiting a business to open a store in Brightmoor, pay the necessary rent, and attract a strong customer base to support its business. It is unlikely a clothing store will locate in the Guardian Bank Building until the surrounding area and infrastructure is significantly improved upon. Further research is needed to determine the best type of clothing store to locate in Brightmoor, and if an individual or current business owner is willing to open a clothing store in the building.

B. ECONOMIC FEASIBILITY OF THE REHABILITATION OF THE GUARDIAN BANK BUILDING

Financial Resources

Zachary and Associates, Inc. evaluated several different resources for financing the rehabilitation of the Guardian Bank Building. A number of financial incentives were studied and are listed below.

The ***Nonprofit Facilities Center*** has several programs and grants that help non-profits plan the growth and/or expansion of their organization in an economically healthy way. Presently, NDND has utilized the Nonprofit Facilities Center's planning grant of \$20,000 to conduct this feasibility study. The Nonprofit Facilities Center also offers a development grant, the Capital Grant. The Capital Grant provides support up to 15% to 20% of the total project budget (soft and hard costs), as long as the amount does not exceed \$250,000. Depending upon the structure of the management of the project and the uses of the building, the grant may be available to the Guardian Bank Building Project. Also, this organization has the ability to offer non-profits a low-interest loan for seven years in order to fill a gap in financing. The Nonprofit Facilities Center should be

contacted to evaluate their interest in continuing to support this project with a *capital grant or low-interest loan*. Applications to the Nonprofit Facilities Center may be *submitted at any time*.

The **Community Foundation for Southeast Michigan** also has several grants that may be available for the Guardian Bank Building project. The Southeast Michigan Commercial Economic Development Fund supports commercial economic-developments in southeast Michigan. A construction grant up to \$50,000 may be available to the project. This same fund offers an organizational development and predevelopment grant. It is possible to receive more than one grant from this fund, but not more than one grant from the same category (organizational development grant, predevelopment grant, and construction grant). Applications are accepted at any time. Also, a grant up to \$10,000 from the Comerica Bank Community Economic Development Fund may be available for the project, it is important to note job training programs are not eligible for this grant. Applications are due March 1st and September 1st. Before applying to either fund, the Community Foundation for Southeast Michigan should be contacted.

Capital Campaigns are often undertaken by non-profit organizations to solicit funds from foundations and other funders who find the services provided by a non-profit organization are consistent with the foundation's funding guidelines. Projects involving the rehabilitation of a historic structure are often extremely expensive. Many times conventional financing is not adequate to cover all rehabilitation costs. Thus, a capital campaign may be necessary to fill any gap in financing the renovation of the Guardian Bank Building. Funds may be raised from, but are not limited to, individual donors, foundations and, federal and locally based grants.

To receive **Federal Historic Tax Credits** for this project, the building must be listed in the National Register of Historic Places, or the building must be listed in a registered local historic district and certified by the Secretary of the Interior as contributing to the historic significance of the district. If the building is nominated and listed in the National Register of Historic Places, and the project qualifies as a certified rehabilitation, the project will be eligible for a 20% historic tax credit on eligible investments off of most hard and soft construction costs. Once the building is listed, it is a three part application process to receive historic tax credits and this process can begin at any time.

If the building is not eligible for listing in the National Register of Historic Places it may be eligible for a **10% Rehabilitation Tax Credit** on eligible investments. The project's eligibility is based on the age of the building (constructed before 1936), it must be non-residential, and the rehabilitation must be significant. This credit is claimed on the IRS form 3468 and, unlike the 20% federal historic tax credit, there is no formal review process for receiving this credit.

To qualify for **State Historic Tax Credits** the project must be designated as a *certified rehabilitation of a certified historic resource*. If this occurs, the project may be eligible for a 25% tax credit or 5% percent tax credit, if combined with the federal historic tax credit, on all eligible investments. The application process to receive state historic tax credits is similar to the federal three step application process and can begin at any time.

Single Business Tax Credits may be available to the project. The Single Business Tax Credit provides the owner with a 10% tax credit on eligible activities. The process to

receive Single Business Tax Credits can begin at any time and may take six to nine months to reach a point when construction may begin. It is important to work closely with *Detroit's Brownfield Redevelopment Authority* in order to ensure the project's compliance and eligibility for receiving the tax credits.

A **Deferred Developer Fee** is available to the project. This fee is included as part of the tax credit calculation in the financial analysis and will be received thru cash flow. The figure may be based on 15% to 20% of the total development costs. Projected cash flow for the first fifteen years of operations may be considered payment of this deferred equity investment. The Deferred Developer Fee serves two purposes as it relates to the financial aspect of the project. First it allows for the 20% historic tax credit allocation to be calculated against the Deferred Developer Fee as allowed by the Internal Revenue Service. In this case, it is anticipated that a tax credit purchaser would be a 99% owner of the project and the developer a 1% owner. By characterizing revenue as received to pay deferred developer fees the developer places themselves in front of the 99% to 1% split of cash flow.

Other resources that may financially assist in the project's economic feasibility include the designation of the property as an obsolete building under the **Obsolete Property Rehabilitation Act**. The award of an Exemption Certificate, based on the building's eligibility as a functionally obsolete property, may result in property tax abatement for up to twelve years. **Tax Increment Financing (TIF)** may also be available to the project. TIF allows for the capture of local and school property taxes for brownfield redevelopment projects and recaptures costs associated with public infrastructure improvements and remediation.

A grant from the **Economic Development Administration (EDA)** may be available to the project, if the project meets the eligibility requirements. Typically a 50% match is required for all grants, but this percentage can be waived or reduced based on the community's distress factors, such as level of unemployment. It is important to note, buildings funded by EDA must be owned by a non-profit organization for its entire life or the grant will have to be repaid. A preapplication is required to evaluate a project's eligibility prior to submitting a full application.

The project may be eligible for a **Community Development Block Grant (CDBG)**. This federal program provides entitlement grants to local governments for community development activities. The primary objective of the program is the development of viable urban communities through the elimination of slums and blight and the provision of decent housing, a suitable living environment, and expanded economic opportunities principally for persons of low and moderate income. Grant funds may be used for community facilities, demolition of blighted buildings, acquisition, relocation and preparation of property for new development, economic development, public services, planning, administration of the program, etc. Grants may be available on an annual basis for CDBG eligible projects.

New Markets Tax Credits were considered for the project. In talking to tax credit purchasers and allocation agencies it has been determined that the scale of the project is too small to take advantage of New Markets Tax Credits. The annual processing fees and legal costs are roughly the same whether the project is large or small and financially smaller projects have a harder time absorbing these fees.

Cost, Square Footage and Rent

Zachary and Associates, Inc. conducted an economic feasibility analysis of the *redevelopment of the Guardian Bank Building*. The cost of construction and the square footage of the building were provided by NDND. A mezzanine level of 989 square feet, again calculated by NDND, was added to the redevelopment of the building in order to create additional rentable square feet. Costs associated in the renovation of this additional square footage were calculated against the estimated cost per square feet provided by NDND for the rest of the building.

Rent per square foot for the pro forma analysis was established by comparing rents in the surrounding commercial districts. Staff at the Grandmont/Rosedale Development Corporation revealed rents on Grand River, in this organization's boundaries, to range from \$7.00 to \$18.00 per square foot. On the low end, auto-related businesses on Grand River average \$8.00 to \$9.00 a square foot. Higher rents are garnered in prime locations, such as the renovated stripmall Grandland, at Fenkell Road and Grand River, where rents range from \$12.00 to \$18.00 for businesses like Blockbusters and Powerhouse Gym.

Stand-alone commercial buildings in good condition generate rents from \$7.00 to \$12.00 per square foot on Grand River. Differences in rent for stand-alone commercial buildings depend primarily on location and condition. Rent at \$7.00 a square foot indicates the building will need work in order for a business to open within the structure. A building renting at \$12.00 a square foot is usually already in move-in condition. If a building is in rough shape, but has ample and secure parking, rent ranges from \$9.00 to \$10.00.

It should be noted that Grand River's and Fenkell Road's commercial corridors share few characteristics. Grand River is a bustling commercial district and Fenkell Road's commercial district is depressed. Rent for like buildings in each corridor vary considerably. Accordingly, rent for the Guardian Bank Building was calculated at \$10.00 a square foot. It is assumed this rent can be realized if the building is completely renovated with all new systems and is in move-in condition. It is also assumed ample and secure parking will be available to tenants and their clients/customers. Rental of storage space in the basement was calculated at \$2.00 a square foot. At this time, it is assumed the basement will not be refurbished for anything other than storage space. If the basement is renovated to house an office, classroom or retail space, the construction costs provided in the pro forma must reflect this change.

Financial Analysis

Two financial analyses were completed for the Guardian Bank Building in order to examine the economic feasibility of the project. During the course of completing this study, Zachary and Associates, Inc. discussed a number of potential financial resources that may be available to the project. Many of resources are located in the Sources and Uses, along with the estimated hard and soft costs of the project. A Rental Schedule, and Projection of Income, Expenses, and Cash Flow analysis was also conducted as a part of this study. The Sources and Uses, Rental Schedule, Pro Forma Analysis and the assumptions are found on the following pages. Please note the difference between Financial Analysis I and Financial Analysis II is the use of a 20% Federal Historic Tax Credit and a 10% Rehabilitation Tax Credit.

Financial Analysis I
Guardian Bank Building
Sources and Uses
14-Sep-04

Sources:	Construction		Permanent	
Grants				
Nonprofit Facilities Fund Planning Grant	\$	20,000	\$	20,000
Nonprofit Facilities Fund Capital Grant	\$	250,000	\$	250,000
Community Foundation for SE MI Grant	\$	42,535	\$	42,535
Gap Financing ¹	\$	240,000	\$	240,000
Equity				
Federal Historic Tax Credit - 20%	\$	-	\$	238,000
Single Business Tax Credit	\$	-	\$	59,800
Deferred Developer Fee	\$	-	\$	187,191
Financing				
Construction Loan (6.5%)	\$	587,411	\$	-
Permanent Loan (6.5%)	\$	-	\$	343,011
Total	\$	1,139,946	\$	1,380,537
Surplus/Shortfall		(0)		(0)
Uses:				
Hard Costs				
Construction (includes 10% Contingency)	\$	808,866	\$	808,866
Additional Tenant Improvements	\$	101,940	\$	101,940
Soft Costs				
Title Recording Fees & Insurance	\$	900	\$	900
Property Survey	\$	750	\$	750
Appraisal	\$	3,000	\$	3,000
Environmental	\$	1,500	\$	1,500
A/E - 6%	\$	48,532	\$	48,532
Legal	\$	20,000	\$	20,000
Legal and Accounting - Tax Credit	\$	-	\$	30,000
Construction Period Insurance	\$	15,000	\$	15,000
Construction Period Interest	\$	22,909	\$	22,909
Construction Utilities	\$	10,000	\$	10,000
Financing Fees (2%)	\$	11,748	\$	11,748
Permits and Fees	\$	20,000	\$	20,000
Accounting	\$	5,000	\$	5,000
Economic Consultant	\$	30,000	\$	30,000
Marketing and Leasing	\$	6,000	\$	6,000
Soft Cost Contingency - 15%	\$	33,801	\$	33,801
Deferred Developer Fee - 16%	\$	-	\$	187,191
Operating Reserve	\$	-	\$	23,400
Total	\$	1,139,946	\$	1,380,538

¹This gap in financing could be met by sources such as EDA, CBDG, or additional grants.

Financial Analysis I
Guardian Bank Building
Rental Schedule
14-Sep-04

Tenant	Square Footage	Rent/sf	Monthly Income	Annual Income
Tenant #1	2,235	\$10	\$ 1,863	\$ 22,350
Tenant #2	998	\$10	\$ 832	\$ 9,980
Tenant #3	1,908	\$10	\$ 1,590	\$ 19,080
Storage Space	1,846	\$2	\$ 308	\$ 3,692
Total	5,141			\$ 55,102

Financial Analysis I
Guardian Bank Building
Projection of Income, Expenses, and Cash Flow
14-Sep-04

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Occupancy Rate	65%	75%	90%	90%	90%	90%	90%	90%	90%	90%
Rental Revenues	\$ 55,102	\$ 56,755	\$ 58,458	\$ 60,211	\$ 62,018	\$ 63,878	\$ 65,795	\$ 67,769	\$ 69,802	\$ 71,896
Less Vacancy	\$ (19,286)	\$ (14,189)	\$ (5,846)	\$ (6,021)	\$ (6,202)	\$ (6,388)	\$ (6,579)	\$ (6,777)	\$ (6,980)	\$ (7,190)
Effective Gross Income	\$ 35,816	\$ 42,566	\$ 52,612	\$ 54,190	\$ 55,816	\$ 57,490	\$ 59,215	\$ 60,992	\$ 62,821	\$ 64,706
Operating Expenses										
Taxes - common space	\$ 622	\$ 642	\$ 663	\$ 684	\$ 705	\$ 728	\$ 1,502	\$ 1,549	\$ 1,598	\$ 1,648
Insurance	\$ 5,000	\$ 5,150	\$ 5,305	\$ 5,464	\$ 5,628	\$ 5,796	\$ 5,970	\$ 6,149	\$ 6,334	\$ 6,524
R&M - entire building	\$ 4,598	\$ 4,736	\$ 4,878	\$ 5,024	\$ 5,175	\$ 5,330	\$ 5,490	\$ 5,655	\$ 5,825	\$ 5,999
Utilities - common space	\$ 2,900	\$ 2,986	\$ 3,076	\$ 3,168	\$ 3,263	\$ 3,361	\$ 3,462	\$ 3,566	\$ 3,673	\$ 3,783
Management (5%)	\$ 1,791	\$ 2,128	\$ 2,631	\$ 2,710	\$ 2,791	\$ 2,875	\$ 2,961	\$ 3,050	\$ 3,141	\$ 3,235
Legal/Acct. - entire building	\$ 4,200	\$ 4,326	\$ 4,456	\$ 4,589	\$ 4,727	\$ 4,869	\$ 5,015	\$ 5,165	\$ 5,320	\$ 5,480
Janitorial - common space	\$ 967	\$ 995	\$ 1,025	\$ 1,056	\$ 1,088	\$ 1,120	\$ 1,154	\$ 1,189	\$ 1,224	\$ 1,261
Misc. - entire building	\$ 3,537	\$ 3,643	\$ 3,752	\$ 3,865	\$ 3,981	\$ 4,100	\$ 4,223	\$ 4,350	\$ 4,481	\$ 4,615
Total Expenses	\$ 23,614	\$ 24,607	\$ 25,785	\$ 26,560	\$ 27,358	\$ 28,180	\$ 29,778	\$ 30,673	\$ 31,596	\$ 32,546
Operating Reserve	\$ 14,600	\$ 8,800	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Net Operating Income	\$ 26,802	\$ 26,759	\$ 26,827	\$ 27,630	\$ 28,458	\$ 29,310	\$ 29,438	\$ 30,318	\$ 31,225	\$ 32,160
Debt Service										
Conventional Loan	\$ (22,296)	\$ (22,296)	\$ (22,296)	\$ (22,296)	\$ (22,296)	\$ (22,296)	\$ (22,296)	\$ (22,296)	\$ (22,296)	\$ (22,296)
Total Debt Service	\$ (22,296)	\$ (22,296)	\$ (22,296)	\$ (22,296)	\$ (22,296)	\$ (22,296)	\$ (22,296)	\$ (22,296)	\$ (22,296)	\$ (22,296)
Cash Flow	\$ 4,507	\$ 4,463	\$ 4,531	\$ 5,334	\$ 6,162	\$ 7,015	\$ 7,142	\$ 8,023	\$ 8,930	\$ 9,864
Debt Service Ratio	1.20	1.20	1.20	1.24	1.28	1.31	1.32	1.36	1.40	1.44

Note: rental rates increase 3% each year

Financial Analysis I

Guardian Bank Building Assumptions - Sources and Uses

Sources:

Grants

- A **Nonprofit Facilities Fund Planning Grant** of \$20,000 has been awarded.
- A **Nonprofit Facilities Center Capital Grant** of \$250,000 is assumed.
- A **Community Foundation for SE MI Grant** of \$42,535 is assumed.
- **Gap Financing** totaling \$240,000 from other funding sources such as, grants, donations and foundations, is anticipated.

Equity

- A **Federal Historic Tax Credit** is assumed based upon the building's eligibility and National Historic Tax Credit regulations which allow a 20% tax credit on the eligible basis. Ninety-nine percent of the ownership of these credits is then sold at \$.91 on the dollar, totaling \$238,000.
- A **Single Business Tax Credit** is calculated by taking a 10% tax credit on the eligible basis. Ninety-nine percent of ownership of these credits is then sold at \$.61 on the dollar, totaling \$59,800. The Single Business Tax Credit provides the owner with a 10% tax credit on eligible activities. In order to be eligible for the Single Business Tax Credit, the project area must be designated as a brownfield, based on the functional obsolete or blighted condition of the building.
- **Deferred Developer Fee** in the amount of \$187,191 is anticipated.

Financing

- A **Construction Loan** of \$587,411 is assumed at an interest rate of 6.5% during the one-year construction period.
- A **Permanent Loan** of \$343,011 is assumed at an interest rate of 6.5% for a twenty-five year amortization period.

Uses:

Hard Costs

- **Construction costs** (including a 10% construction contingency) for the building are estimated at \$808,866.
- **Additional Tenant Improvements** are estimated to be \$101,940.

Soft Costs

- **Title Recording Fees & Insurance fees** are estimated to be \$900.
- A **Property Survey** is estimated at \$750.
- An **Appraisal** for the property is estimated to be \$3,000.
- **Environmental work** is estimated to be \$1,500.
- **Architecture and Engineering (A/E) Fees**, calculated at 6% of the construction cost, is estimated at \$48,532.
- **Legal fees** are estimated to be \$20,000.
- **Legal and Accounting fees** for tax credits are estimated to be \$30,000.

- **Construction Period Insurance** is estimated to be \$15,000.
- **Construction Period Interest** is calculated at 6.5% interest on the Construction Loan of \$587,411, and is estimated at \$22,909.
- **Construction Utilities** are estimated to be \$10,000.
- **Financing Fees** are calculated at 2% on the Construction Loan of \$587,411, and are estimated at \$11,748.
- **Permits and Fees** are estimated at \$20,000.
- **Accounting** fees are estimated at \$5,000.
- **Economic Consultant** fees are estimated to be \$30,000.
- **Marketing and Leasing** fees are estimated at \$6,000.
- **Soft Cost Contingency** of \$33,801 is calculated at 15% of all soft costs except for the Deferred Developer Fee and Operating Reserve.
- A **Deferred Developer Fee** of 16% of the hard and soft construction costs is estimated to be \$187,191. In this case, the fees are deferred and are to be paid at a later date from cash flow.
- An **Operating Reserve** of \$23,400 is assumed.

Financial Analysis I

Guardian Bank Building Assumptions – Cash Flow Analysis

Residential Revenues associated with the building are as follows.

- An *Occupancy Rate* of 65% is assumed for the first year.
- *Residential Rental Revenues* are estimated at \$55,102 for the first year of operations. They are calculated as follows:

Tenant	Square Footage	Rent/sf	Monthly Income	Annual Income
Tenant #1	2,235	\$10	\$1,863	\$22,350
Tenant #2	998	\$10	\$ 832	\$ 9,980
Tenant #3	1,908	\$10	\$1,590	\$19,080
Storage Space	1,846	\$ 2	\$ 308	\$ 3,692

- *Less Vacancy* – Assuming a 35% vacancy for the first year, \$19,286 is deducted from the Residential Rental Revenues.
- The *Effective Gross Income* is calculated by subtracting the Vacancy from the Residential Rental Revenues, totaling \$35,816 in the first year.

The **Operating Expenses** are estimated at follows:

- *Taxes* at (based upon the estimated taxable value and the award of the Obsolete Property Rehabilitation Exemption Certificate) \$622,
- *Insurance* at \$5,000,
- *R&M (Repair and Maintenance)* at \$4,598,
- *Utilities* at \$2,900,
- *Management* (5% of effective gross income) at \$1,791,
- *Legal and Accounting* at \$4,200,
- *Janitorial* at \$967, and
- *Misc.* at \$3,537.

As noted within the operating expenses, tenants will pay some of their own expenses.

Total Expenses is the sum of the expenses listed above and is estimated at \$23,614.

An **Operating Reserve** of \$23,400 will be used over the first seven years of operation. The Operating Reserve for the first year is estimated at \$14,600.

The **Net Operating Income** is the calculated by subtracting the Total Expenses from the Total Effective Gross Income and adding the Operating Reserve. The Net Operating Income is estimated at \$26,802.

Debt Service

- *Conventional Loan* repayment is calculated on a principal of \$343,011 at a rate of 6.5% for 25 years. At this rate, the annual payment is \$22,296.
- *Total Debt Service* is the conventional loan repayment and is \$22,296 each year.

Cash Flow is the amount remaining after all expenses and debt have been paid out. For the first year it is estimated at \$4,507.

Debt Service Ratio is derived by dividing the Debt Service into the Net Operating *Income and is 1.20 for the first year.*

Financial Analysis II**Guardian Bank Building - Conventional****Sources and Uses****14-Sep-04**

Sources:	Construction		Permanent	
Grants				
Nonprofit Facilities Fund Planning Grant	\$	20,000	\$	20,000
Nonprofit Facilities Fund Capital Grant	\$	250,000	\$	250,000
Community Foundation for SE MI Grant	\$	42,535	\$	42,535
Gap Financing ¹	\$	327,000	\$	327,000
Equity				
Rehabilitation Tax Credit - 10%	\$	-	\$	118,300
Single Business Tax Credit	\$	-	\$	59,800
Deferred Developer Fee	\$	-	\$	186,178
Financing				
Construction Loan (6.5%)	\$	494,079	\$	-
Permanent Loan (6.5%)	\$	-	\$	382,279
Total	\$	1,133,614	\$	1,386,092
Surplus/Shortfall		0		0
Uses:	Construction		Permanent	
Hard Costs				
Construction (includes 10% Contingency)	\$	808,866	\$	808,866
Additional Tenant Improvements	\$	101,940	\$	101,940
Soft Costs				
Title Recording Fees & Insurance	\$	900	\$	900
Property Survey	\$	750	\$	750
Appraisal	\$	3,000	\$	3,000
Environmental	\$	1,500	\$	1,500
A/E - 6%	\$	48,532	\$	48,532
Legal	\$	20,000	\$	20,000
Legal and Accounting - Tax Credit	\$	-	\$	30,000
Construction Period Insurance	\$	15,000	\$	15,000
Construction Period Interest	\$	19,269	\$	19,269
Construction Utilities	\$	10,000	\$	10,000
Financing Fees (2%)	\$	9,882	\$	9,882
Permits and Fees	\$	20,000	\$	20,000
Accounting	\$	5,000	\$	5,000
Economic Consultant	\$	30,000	\$	30,000
Marketing and Leasing	\$	6,000	\$	6,000
Soft Cost Contingency - 15%	\$	32,975	\$	32,975
Deferred Developer Fee - 16%	\$	-	\$	186,178
Operating Reserve	\$	-	\$	36,300
Total	\$	1,133,614	\$	1,386,092

¹This gap in financing could be met by sources such as EDA, CBDG, or additional grants.

Financial Analysis II
Guardian Bank Building
Rental Schedule
14-Sep-04

Tenant	Square Footage	Rent/sf	Monthly Income	Annual Income
Tenant #1	2,235	\$10	\$ 1,863	\$ 22,350
Tenant #2	998	\$10	\$ 832	\$ 9,980
Tenant #3	1,908	\$10	\$ 1,590	\$ 19,080
Storage Space	1,846	\$2	\$ 308	\$ 3,692
Total	5,141			\$ 55,102

**Financial Analysis II
Guardian Bank Building
Projection of Income, Expenses, and Cash Flow
14-Sep-04**

	Year 1 65%	Year 2 75%	Year 3 90%	Year 4 90%	Year 5 90%	Year 6 90%	Year 7 90%	Year 8 90%	Year 9 90%	Year 10 90%
Occupancy Rate										
Rental Revenues	\$ 55,102	\$ 56,755	\$ 58,458	\$ 60,211	\$ 62,018	\$ 63,878	\$ 65,795	\$ 67,769	\$ 69,802	\$ 71,896
Less Vacancy	\$ (19,286)	\$ (14,189)	\$ (5,846)	\$ (6,021)	\$ (6,202)	\$ (6,388)	\$ (6,579)	\$ (6,777)	\$ (6,980)	\$ (7,190)
Effective Gross Income	\$ 35,816	\$ 42,566	\$ 52,612	\$ 54,190	\$ 55,816	\$ 57,490	\$ 59,215	\$ 60,992	\$ 62,821	\$ 64,706
Operating Expenses										
Taxes - common space	\$ 622	\$ 642	\$ 663	\$ 684	\$ 705	\$ 728	\$ 1,502	\$ 1,549	\$ 1,598	\$ 1,648
Insurance	\$ 5,000	\$ 5,150	\$ 5,305	\$ 5,464	\$ 5,628	\$ 5,796	\$ 5,970	\$ 6,149	\$ 6,334	\$ 6,524
R&M - entire building	\$ 4,598	\$ 4,736	\$ 4,878	\$ 5,024	\$ 5,175	\$ 5,330	\$ 5,490	\$ 5,655	\$ 5,825	\$ 5,999
Utilities - common space	\$ 2,900	\$ 2,986	\$ 3,076	\$ 3,168	\$ 3,263	\$ 3,361	\$ 3,462	\$ 3,566	\$ 3,673	\$ 3,783
Management (5%)	\$ 1,791	\$ 2,128	\$ 2,631	\$ 2,710	\$ 2,791	\$ 2,875	\$ 2,961	\$ 3,050	\$ 3,141	\$ 3,235
Legal/Acct. - entire building	\$ 4,200	\$ 4,326	\$ 4,456	\$ 4,589	\$ 4,727	\$ 4,869	\$ 5,015	\$ 5,165	\$ 5,320	\$ 5,480
Janitorial - common space	\$ 967	\$ 995	\$ 1,025	\$ 1,056	\$ 1,088	\$ 1,120	\$ 1,154	\$ 1,189	\$ 1,224	\$ 1,261
Misc. - entire building	\$ 3,537	\$ 3,643	\$ 3,752	\$ 3,865	\$ 3,981	\$ 4,100	\$ 4,223	\$ 4,350	\$ 4,481	\$ 4,615
Total Expenses	\$ 23,614	\$ 24,607	\$ 25,785	\$ 26,560	\$ 27,358	\$ 28,180	\$ 29,778	\$ 30,673	\$ 31,596	\$ 32,546
Operating Reserve	\$ 17,500	\$ 11,800	\$ 2,900	\$ 2,100	\$ 1,300	\$ 400	\$ 300	\$ -	\$ -	\$ -
Net Operating Income	\$ 29,702	\$ 29,759	\$ 29,727	\$ 29,730	\$ 29,758	\$ 29,710	\$ 29,738	\$ 30,318	\$ 31,225	\$ 32,160
Debt Service										
Conventional Loan	\$ (24,848)	\$ (24,848)	\$ (24,848)	\$ (24,848)	\$ (24,848)	\$ (24,848)	\$ (24,848)	\$ (24,848)	\$ (24,848)	\$ (24,848)
Total Debt Service	\$ (24,848)	\$ (24,848)	\$ (24,848)	\$ (24,848)	\$ (24,848)	\$ (24,848)	\$ (24,848)	\$ (24,848)	\$ (24,848)	\$ (24,848)
Cash Flow	\$ 4,854	\$ 4,911	\$ 4,878	\$ 4,882	\$ 4,910	\$ 4,862	\$ 4,889	\$ 5,470	\$ 6,377	\$ 7,312
Debt Service Ratio	1.20	1.20	1.20	1.20	1.20	1.20	1.20	1.22	1.26	1.29

Note: rental rates increase 3% each year

Financial Analysis II

Guardian Bank Building Assumptions - Sources and Uses

Sources:

Grants

- A **Nonprofit Facilities Fund Planning Grant** of \$20,000 has been awarded.
- A **Nonprofit Facilities Center Capital Grant** of \$250,000 is assumed.
- A **Community Foundation for SE MI Grant** of \$42,535 is assumed.
- **Gap Financing** totaling \$327,000 from other funding sources such as, grants, donations and foundations, is anticipated.

Equity

- A **Rehabilitation Tax Credit** is assumed based upon the project's eligibility and federal tax credit regulations which allow a 10% tax credit on the eligible basis. Ninety-nine percent of the ownership of these credits is then sold at \$.91 on the dollar, totaling \$118,300.
- A **Single Business Tax Credit** is calculated by taking a 10% tax credit on the eligible basis. Ninety-nine percent of ownership of these credits is then sold at \$.61 on the dollar, totaling \$59,800. The Single Business Tax Credit provides the owner with a 10% tax credit on eligible activities. In order to be eligible for the Single Business Tax Credit, the project area must be designated as a brownfield, based on the functional obsolete or blighted condition of the building.
- **Deferred Developer Fee** in the amount of \$186,178 is anticipated.

Financing

- A **Construction Loan** of \$494,079 is assumed at an interest rate of 6.5% during the one-year construction period.
- A **Permanent Loan** of \$382,279 is assumed at an interest rate of 6.5% for a twenty-five year amortization period.

Uses:

Hard Costs

- **Construction costs** (including a 10% construction contingency) for the building are estimated at \$808,866.
- **Additional Tenant Improvements** are estimated to be \$101,940.

Soft Costs

- **Title Recording Fees & Insurance** fees are estimated to be \$900.
- A **Property Survey** is estimated at \$750.
- An **Appraisal** for the property is estimated to be \$3,000.
- **Environmental work** is estimated to be \$1,500.
- **Architecture and Engineering (A/E) Fees**, calculated at 6% of the construction cost, is estimated at \$48,532.
- **Legal fees** are estimated to be \$20,000.
- **Legal and Accounting fees** for tax credits are estimated to be \$30,000.

- **Construction Period Insurance** is estimated to be \$15,000.
- **Construction Period Interest** is calculated at 6.5% interest on the Construction Loan of \$494,079, and is estimated at \$19,269.
- **Construction Utilities** are estimated to be \$10,000.
- **Financing Fees** are calculated at 2% on the Construction Loan of \$494,079, and are estimated at \$9,882.
- **Permits and Fees** are estimated at \$20,000.
- **Accounting fees** are estimated at \$5,000.
- **Economic Consultant fees** are estimated to be \$30,000.
- **Marketing and Leasing fees** are estimated at \$6,000.
- **Soft Cost Contingency** of \$32,975 is calculated at 15% of all soft costs except for the Deferred Developer Fee and Operating Reserve.
- A **Deferred Developer Fee** of 16% of the hard and soft construction costs is estimated to be \$186,178. In this case, the fees are deferred and are to be paid at a later date from cash flow.
- An **Operating Reserve** of \$36,300 is assumed.

Guardian Bank Building Assumptions – Cash Flow Analysis

Residential Revenues associated with the building are as follows.

- An *Occupancy Rate* of 65% is assumed for the first year.
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- *Less Vacancy* – Assuming a 35% vacancy for the first year, \$19,286 is deducted from the Residential Rental Revenues.
- The *Effective Gross Income* is calculated by subtracting the Vacancy from the Residential Rental Revenues, totaling \$35,816 in the first year.

The **Operating Expenses** are estimated at follows:

- *Taxes* at (based upon the estimated taxable value and the award of the Obsolete Property Rehabilitation Exemption Certificate) \$622,
- *Insurance* at \$5,000,
- *R&M (Repair and Maintenance)* at \$4,598,
- *Utilities* at \$2,900,
- *Management* (5% of effective gross income) at \$1,791,
- *Legal and Accounting* at \$4,200,
- *Janitorial* at \$967, and
- *Misc.* at \$3,537.

As noted within the operating expenses, tenants will pay some of their own expenses.

Total Expenses is the sum of the expenses listed above and is estimated at \$23,614.

An **Operating Reserve** of \$36,300 will be used over the first seven years of operation. The Operating Reserve for the first year is estimated at \$17,500.

The **Net Operating Income** is the calculated by subtracting the Total Expenses from the Total Effective Gross Income and adding the Operating Reserve. The Net Operating Income is estimated at \$29,702.

Debt Service

- *Conventional Loan* repayment is calculated on a principal of \$382,279 at a rate of 6.5% for 25 years. At this rate, the annual payment is \$24,848.
- *Total Debt Service* is the conventional loan repayment and is \$24,848 each year.

Cash Flow is the amount remaining after all expenses and debt have been paid out. For the first year it is estimated at \$4,854.

Debt Service Ratio is derived by dividing the Debt Service into the Net Operating Income and is 1.20 for the first year.