

Mount Pleasant Center Highest and Best Use Study Executive Summary



Prepared For:

City of Mount Pleasant
Mount Pleasant, MI

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CBRE

EXECUTIVE SUMMARY

INTRODUCTION AND METHODOLOGY

CBRE, Inc. (“CBRE”) was engaged by the City of Mount Pleasant (the “City”) as part of a multi-faceted team to evaluate market demand for potential uses for the former Mount Pleasant Center (“MPC”) property located at 1400 West Pickard Street, Mount Pleasant, Isabella County, Michigan. This approximate 298-acre site is the largest contiguous undeveloped parcel in the City.

Gauging current and future demand for specific types of uses is intended to assist the City with determining how to approach the site’s redevelopment. Conclusions drawn in this study are based on information available during the study period. In some cases a specialized use may require additional study beyond the scope of this broad-based use evaluation. Those cases are highlighted in the relevant report sections. This study is not intended to identify specific end-users for the property. Specific end-users are identified as part of the redevelopment process by a marketing team and/or developer(s), yet to be selected.

A mixed-use approach to redevelopment is anticipated for a site of this size since no single use, regardless of type, would likely require the entire property. As well, compatibility and scale among uses in relation to each other are important considerations when evaluating highest and best use. Ideally, a use with some critical mass that serves to anchor the overall development will then support ancillary and/or related complimentary uses that would likely not be developed as a standalone use.

The methodology for this assignment includes the following key components:

- An existing conditions analysis, including a tour of the subject site and facilities, the surrounding uses and local submarkets
- A review of information provided by the City
- Interviews with key organizations, regional and local government agencies, area stakeholders and industry specialists
- An analysis of demographic and economic conditions in the City to gauge the strength of support for demand in real estate markets, and identify growth factors
- An analysis of commercial real estate market indicators in the city and four county region identified by the City related to retail demand
- An overview of certain multi-family demand based on demographic data review and interviews conducted with regional and national developers
- A high level review of demographic factors related single family housing demand
- Industrial uses were excluded from this engagement

EXISTING SITE CONDITIONS REVIEW

- The MPC site is located in the northwest corner of the city on the main thoroughfare of Pickard Street that leads to US-127, the primary north/south arterial between Lansing and Mackinaw Island.
- Twenty-one former residential and related support facilities totaling approximately 500,000 square feet. This campus was previously utilized by the State of Michigan as a center for developmentally disabled individuals and is slated to be demolished by the City.
- Limited topographic variations on portions of the site present both opportunities and minor constraints. Wetlands are present on approximately 15 acres mostly located within a total flood plain area of 23.6 acres.

- Potential future uses will need to be generally compatible with the uses in the surrounding area which consist of single family residential, small general office space, industrial businesses, and farmland.
- The Saginaw Chippewa Indian Tribe owns approximately 13.55 acres of land contiguous to the MPC parcel and its plans for future use are undetermined at the time of this study.
- The City is currently updating its master plan and has indicated a willingness to incorporate zoning flexibility that will support uses identified in this report and later approved by the Planning Commission. Current zoning of the entire parcel is Agriculture.

RESEARCH INTERVIEWS

- Stakeholder and research interviews serve as key indicators of demand for various uses and potential expansion of the largest employers in the area.
- Exploration of key uses focused on the City's largest employers including but not limited to Central Michigan University (CMU) and McLaren Health Care among others.
- The Saginaw Chippewa Indian Tribe's utilization of its immediately adjacent parcel could impact the compatibility of future uses for portions of the MPC. At the time of the interview, the Tribe had not yet developed specific plans for use of its property however indicated they would likely be cultural and/or educational in nature. A projected timeline for planning, use identification, and future development were not available.
- Community leaders and stakeholders encouraged a pragmatic and realistic approach to determination of future uses.
- Telephone interviews with regional and national multi-family housing developers were conducted to gauge level of interest in potential development based on current demographic factors and information provided by CMU relative to new medical school student projections.
- Telephone and in person interviews were conducted with subject matter experts in areas identified for analysis.

AREA SOCIO-ECONOMIC REVIEW

- The City is a large college town where students make up a meaningful portion of the overall population. Total 2012 estimated population is 25,978.
- The City experienced virtually no loss in population from 2000–2012. Notwithstanding the lack of change in population, the City lost approximately 134 households over the same time period.
- Population growth projected through 2017 is slight at .18%.¹ Lack of population growth directly impacts the opportunity for new development in all market sectors.

¹ US Census Bureau

- Largest employment sectors in the City include Healthcare, Educational Services, Eating & Drinking Places, and Manufacturing.² Stakeholders generally expressed limited employment growth projections over the next five years.
- Median per capita income in the City is \$14,057; median household income is \$28,488; and average household income is \$40,183.
- Undergraduates enrolled in CMU's main campus totaled 21,290 in 2012 with 5,860 of those students residing on campus. Overall student enrollment is expected to remain steady. Due to a decline in undergraduate enrollment, no growth is projected in overall student population notwithstanding the addition of the new medical school accepting its first class in 2013.³

POTENTIAL DEMAND OPTIONS

A summary of potential demand for various types of uses include:

- Office/Institutional:
 - Office:
 - The total office market in the City and suburbs has 511,867 rentable building area (RBA) of which 88% is occupied. This results in a 12% vacancy rate which is a good, stable vacancy rate given historic and industry norms.
 - The General Office market is defined as all rentable office space exclusive of Medical Office Buildings (MOB). Within this subcategory of RBA, the current vacancy rate is 13%, still within a stable range.
 - The Center for Applied Research and Technology (CART), located within a SMARTZone, has office space and development ready pads. However, as a SMARTZone where land is wholly owned by CMU, development must comply with the University's covenants for long-term lease or sale. These covenants restrict developments to those identified as compatible to CMU's SMARTZone mission.
 - The Medical Office Building rental market consists of nine buildings totaling 79,039 RBA of which 92% is occupied. This results in an 8% vacancy rate which is below the average vacancy in this market over the 2007-2012 time periods and also below industry norms. This limited vacancy over most of the past twenty-four months suggests that new MOB space is a growth opportunity. A build-to-suit development is under construction on Mission Street that will likely meet this demand when fully built-out. Initial construction is 6,250 square feet and future construction will accommodate another approximate 11,000 square feet. Since construction is not complete, this square footage is not reflected in the analysis of occupancy. If a healthcare facility is later constructed on the MPC site, we believe a medical office building would likely be built as an ancillary use due to proximity.
 - Institutional:
 - Institutional space as defined in this report includes primarily space occupied by CMU, McLaren Health Care and MidMichigan Health.
 - Central Michigan University indicated no expansion requirements that would likely be accommodated off their campus.

² CBRE

³ Faculty Employment and Compensation Department, Central Michigan University

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- Healthcare systems are among the growing business sectors in many communities due to new federal legislation, aging baby-boomers, and new technologies to enhance the care of the general population.
 - Specific needs assessments for these institutions were not available at the time of this study however general indications of space needs may pose opportunities for the MPC site. Specific demand could not be estimated so recommendations are for new and/or continued discussions by the City with these institutional users.
 - Retail:
 - Traditional Retail:
 - Retail demand is researched in a primary trade area (PTA) defined as the City of Mt. Pleasant and in a secondary trade area (STA) defined as the four county area of Gratiot, Isabella, Clare and Midland.
 - Gaps in demand versus supply were identified in the following retail categories:
 - Cosmetics, Beauty Supplies, Perfume
 - Men's Clothing
 - Clothing Accessories
 - Luggage & Leather Goods
 - Limited-Service Eating Places
 - Hobby, Toys & Games
 - Family Clothing
 - Shoes
 - Office Supplies
 - Drinking Places – Alcoholic Beverages
 - Based on the consumer spending habits of the majority of the population in both the PTA and STA, existing stores in the market supply most of the consumer goods identified above. Examples of stores providing these goods include but are not limited to:
 - Kmart
 - Kohl's
 - JC Penney
 - Meijer's
 - Sears
 - Staples
 - Target
 - Wal-Mart
 - Local stores offering similar goods
 - The retail sector overall has been the slowest to rebound from the most recent recessionary economy with construction of new stores still very limited, if at all, within most retail categories. Given the general economic conditions, limited population growth projections, and the tertiary nature of both the PTA and STA, national chains not already present in these markets are unlikely to open stores in the City in the near-term. Retailers not present locally will continue to serve the purchasing needs of this population in nearby Lansing or via growing internet sales.
 - Regional Food Hub:
 - Generally defined as the aggregation, distribution, and sale of food and related products produced by farmers within a region, this is a growing concept throughout the U.S. and in Michigan specifically.

- There are five regional food hubs in Michigan at the time of this study.
 - The number of farmers within proximity to the City suggests this concept should be explored by a specialized food hub consultant.
 - Various programs at the national and state level are available to fund the cost of feasibility studies for food hubs as well as aspects of construction and organizational support.
- Housing:
 - The housing market in the City is heavily influenced by the CMU off-campus student occupancy. For purposes of this study, three areas of apartment housing plus general review of the single family market were reviewed at a high level to determine potential applicability for the MPC site.
 - Senior Independent Living:
 - The vast majority of the Senior Living occupants are >75 years of age regardless of whether they chose to live in Independent Living, Assisted Living, Skilled Nursing or Memory Care.
 - Only 4.8% of the total >75 age population elects to live in Independent Living apartments.⁴
 - Income qualifications to afford occupancy in Independent Living apartments are estimated at \$50,000+ per year.⁵
 - Stays in Independent Living apartments are generally short given the age of entry such that practically speaking Assisted Living is the preferred housing option by developers and often is developed within the same complex as Independent Living units.
 - Two new Assisted Living complexes will open in Union Township in Spring/Summer 2013 where existing demand is insufficient for immediate build-out of the total number of units approved for construction.
 - Medical Student Housing:
 - New on-campus graduate housing at CMU will provide 94 higher quality apartments for graduate students from any program.
 - Two new student housing developments, both expressed as 'high end', plus expansion of the Copper Beech Townhomes complex were recently approved by Union Township to be built near CMU and will serve approximately 1,600 students if built to the approved maximum capacity.
 - Multiple regional and national developers interviewed by CBRE unanimously agreed that medical students would not pay a premium for higher quality apartment housing if developed at MPC nor would elect to live further from campus unless the available housing was less expensive than that available nearer the campus.
 - Given the recent approval of new developments of high-end quality apartments primarily for students near CMU, demand is expected to be fulfilled closer to campus than MPC site can provide.
 - Apartment Housing for Professionals:
 - The City is investigating the conversion of a downtown commercial building into upper floor rentals to serve the needs of young professionals with moderate incomes.⁶

⁴ National Investment Center 2013

⁵ CBRE

Demand is a cornerstone to any successful development. Based on the results of this study, there are two uses with potential demand that would serve to anchor the southern and northern sections of the MPC site. Further study of the demand for both uses is needed as the recommended next step in the City's process to ready the site for redevelopment. Ongoing needs assessments by potential institutional users were not completed or available during the time period of this study. The regional Food Hub concept shows promise as a potential use for a portion of the northern section of MPC however a specialized feasibility study is required to confirm the demand and to outline for the City pathways for initiating such a development.

A third area of demand identified in this study is for medical office space however the size of the demand does not qualify it as a potential anchor for MPC. Current medical office space under construction and planned on Mission Street may meet the demand however should an institutional user with a healthcare facility elect the MPC site to develop one or more facilities once their needs assessments are finalized then the likelihood of medical office space located at this site is still a viable area of potential demand.