

The A. Alfred Taubman Center for Design Education

A Case Study about the Adaptive Reuse of Detroit's Historic Argonaut Building

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The Purpose of the Case Study

The A. Alfred Taubman Center for Design Education (Taubman Center) has undergone a dramatic transformation: having once housed automotive offices and laboratories, it now serves as a campus for the College for Creative Studies (CCS) and other users. Furthermore, the presence of an anchor tenant, along with the Center's location near the Fisher Building, the State of Michigan office complex, and the nexus of a proposed regional rail transit system, opens up additional adaptive reuse opportunities for new programs within the building.

Due to the historical significance of the building to the city and the complicated structure of its redevelopment from the financial, planning, and policy perspectives, the Taubman Center is an instructive example of adaptive reuse in a difficult market environment. Further, the Center illustrates one way to spur the economic revitalization of a regionally significant walkable urban place. This case study analyzes the Taubman Center's development process, which can serve as a useful model for similar projects in comparable places.

Research for the case study took place in three phases: project orientation, stakeholder interviews, and documentation and findings.

The Project

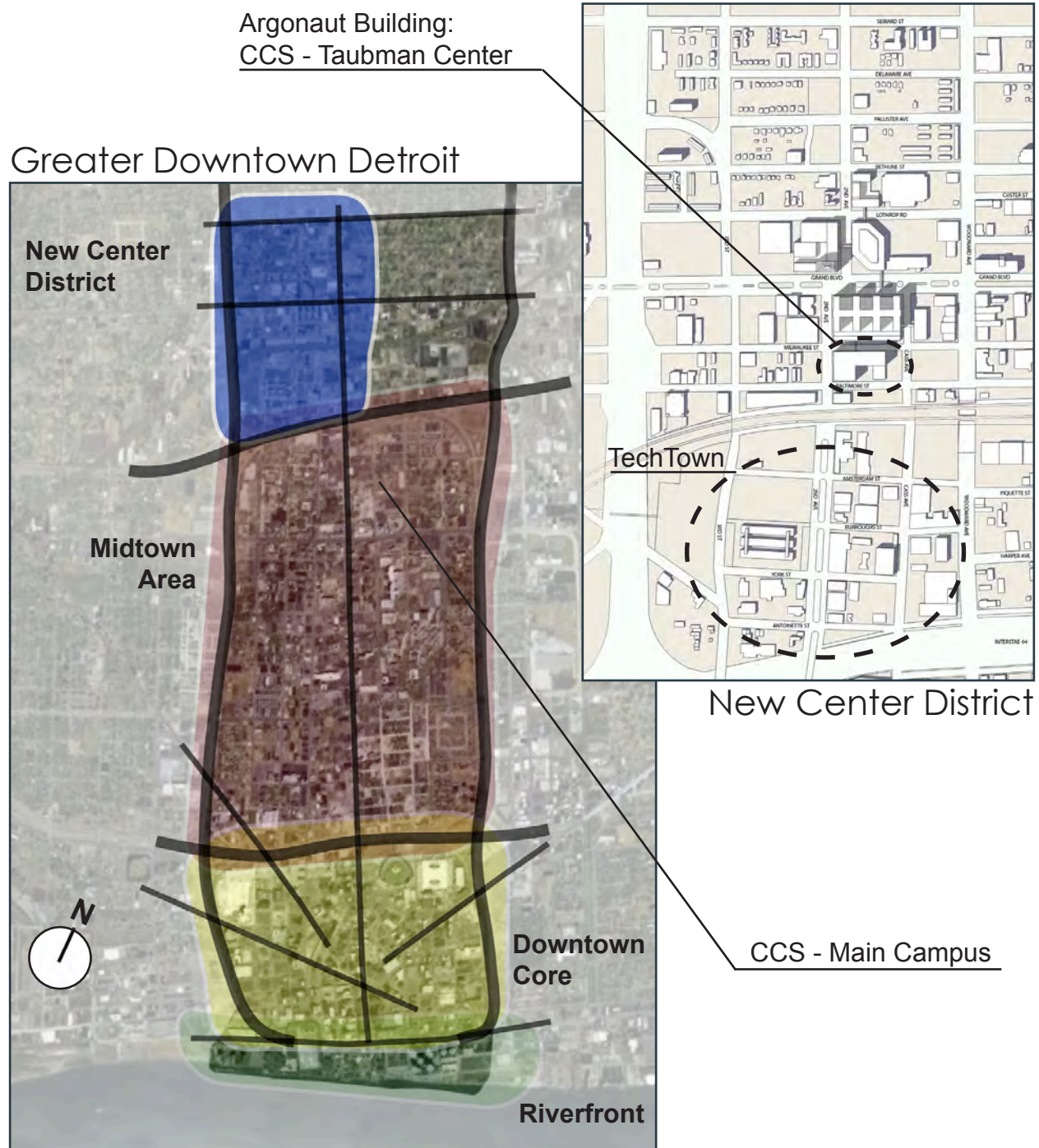
The Taubman Center occupies what was formerly known as the Argonaut Building. A national and local historic landmark, the Argonaut Building was originally developed in 1929 by the General Motors Corporation (GM) as part of its headquarters complex. The building is not only an important part of the city's automotive heritage, but also contributes to the region's architectural legacy, having been designed by famous Detroit architect Albert Kahn. The 11-story Art Deco structure, which contains 760,000 gross square feet, is located at 485 West Milwaukee Avenue, approximately three miles north of downtown Detroit, Michigan, in the New Center area. The Taubman

Center has been redeveloped by CCS as a campus extension with a mix of uses that include undergraduate and graduate programs in design, community outreach activities, student housing, commercial space, and an arts-oriented charter middle and high school. The redevelopment added a new 10,000-square-foot, two-story gym and fitness center, bringing the total gross square footage of the structure to 770,000. The Taubman Center also includes a new 500-car parking deck and 230 surface parking spaces. The project was completed in September 2009.

Detroit's economy has been declining for decades. Most recently, the city has suffered the collapse of General Motors (GM) and Chrysler, political instability, and the global economic crisis. These factors debilitated real estate markets, making the redevelopment of the Taubman Center seemingly impossible. In these grim circumstances, the project's success is an especially striking achievement.

Formerly known as the Argonaut Building, the Taubman Center has a rich history of innovation as GM's former research and development facility. For instance, innovations such as the Buick "Y" Job, a two-passenger convertible, were created in the Argonaut. However, after 1952, the facility was primarily used as office space and as support for the adjacent headquarters building. GM relocated its headquarters in 1996, leaving the Argonaut vacant for nearly a decade.

While GM was looking for a use for the Argonaut, the College for Creative Studies (CCS) was looking to expand. CCS's enrollment was growing, and the college needed to expand its facilities to accommodate demand for new programs and student housing. In addition, under the leadership of Richard Rogers, CCS needed a facility to achieve its ambitious vision of creating design-based middle and high schools in partnership with the Henry Ford Learning Institute. Rogers' chance conversation with Matt Cullen, civic leader and then head of GM's real estate division, sparked a bold idea: CCS could meet its goals by



The New Center District is the northern anchor of Detroit's greater downtown. The neighborhood is the second-largest employment center in the city and home to the State of Michigan, Henry Ford Hospital, TechTown, Albert Kahn Associates, and many more. The district also offers diverse retail, entertainment, housing, and historic architectural amenities to residents, workers, consumers, and visitors.



Detroit, Michigan Photos: Courtesy of the College for Creative Studies



“The Argonaut Building will be an educational complex devoted to creativity. It will house an integrated educational community, focused on art and design and extending from middle school through graduate school and beyond into the professional realm. It will be a catalyst for innovation, educational opportunity, and economic renewal. There is nothing like it anywhere in the world.”

-College for Creative Studies

expanding into the Argonaut Building. With the Argonaut Building, CCS could catalyze economic development in Detroit by promoting the city’s creative economy.

The Argonaut presented formidable challenges for CCS, due to the scale, scope, and complexity of the building’s redevelopment. The project, totaling 760,000 square feet, included space not only for CCS’s programs, but also for student residents, partners, and tenants. A small college, CCS needed help and hired the following development team:

- Larson Realty Group, Developer
- Jones Lang LaSalle & Preservation Development, Co-developers
- Albert Kahn Associates & Rich Associates, Project Architects
- Luce et Studio, Design Consultant
- Walbridge & Colasanti, Construction Managers
- JP Morgan Chase & US Bank, Financing
- Clark Hill, Legal

Project Goals and Financial Structure

The goal of the Argonaut project was to accommodate CCS’s campus expansion and its building partners. The CCS expansion, representing approximately 414,585 square feet or 66% of NRA of the building, includes five undergraduate design departments, two master of fine arts programs, a design research center, a 300-bed dormitory facility, and community arts partnerships. In addition, the building is to accommodate the School for Creative Studies (a partnership between CCS and HFLI). The School will occupy approximately 107,826 square feet, or 17% of NRA, and include an art-enriched charter middle school and charter high school of design. A creative business accelerator program, a partnership between CCS and Detroit Renaissance, will also occupy the building. Further, the building was to be flexible enough to host future commercial partners in approximately 83,720 square feet or 13% of NRA. Finally, the project needed to accommodate space shared by CCS and its partners. The shared space includes a conference center, a 500-seat auditorium, a 350-seat dining hall, retail and gallery spaces, an 11,200 square-foot gymnasium, a 500-car parking structure, and 230 spaces of surface parking.

Financing the expansion was remarkable, considering the project’s size, scope, and complexity. The Argonaut project had a budget of approximately \$140 million. The building was donated by GM and had a market value of approximately \$2.6 million. Argonaut Campus Developer, a Michigan Limited Liability Company made up of multiple entities, has fee simple ownership of the building. The financing sources range from multiple federal and state tax credits to traditional

financing sources. The tax credit structure alone is one of the most complex structures in the country. Tax credits made up approximately 46% of the project budget, while partnership contributions made up 54%. Hard costs and tenant improvements made up 85.6% of the budgeted project cost, while soft costs and equity/loan costs accounted for 10.4% and 4%, respectively. A breakdown of the sources and uses of funds follows:

Sources	
<i>Tax Credits</i>	
Federal Historic Tax Credits	\$31,835,725
State Historic Tax Credits	\$4,490,139
State Brownfield Tax Credits	\$7,350,000
New Market Tax Credits	\$20,700,000
<i>Partner Contributions</i>	
CCS	\$56,821,915
Middle School/High School	\$18,600,000
	\$139,797,779
Uses	
Hard Costs & Tenant Buildout	\$119,598,816
Soft Costs	\$14,554,046
Equity & Loan Costs	\$5,644,917
	\$139,797,779

Key Obstacles and Mitigations

The development team faced seemingly insurmountable challenges. In the interviews, team members mentioned the timing, the complexity, and the financial structure as obstacles to the project. However, innovation often springs from confronting obstacles, and this was the case in the redevelopment of the Argonaut. In particular, members of the development team and other stakeholders cited collaborative teamwork, complex financial engineering, superior execution, and creative thinking about the mix of uses as innovative and/or significant aspects of the redevelopment. Innovation alone was not enough to redevelop the Argonaut, though. Team members displayed a strong sense of purpose and a duty to a higher goal, and their ongoing dedication seemed to enable an “aligning of the stars” that kept the project alive.

Timing

The development team faced a very aggressive timeline, with the goal of redeveloping a 760,000 square-foot, nationally significant historic building within 18 months. This nearly impossible deadline created numerous challenges throughout the development process. For example, about halfway into the project, CCS hired Luce et Studio (Luce) for an alternative opinion regarding the design intent. “To inject a dynamic design experience when the budget is already allocated, it is very hard to gain

the confidence of the team,” says Jennifer Luce, Principal (Luce 2009). “This process didn’t allow for this; there was no time” (Luce 2009). However, this challenge allowed Luce to be innovative, learning how to sell new ideas under tremendous time constraints.

Luce is one of many development team members who struggled to integrate their internal processes with those of other members, given the time constraints. Jones Lang LaSalle (JLL), for example, is a very process-driven organization that has been extremely successful with a systematic approach. However, in this case, “nothing sequenced normally; everything overlapped like a 37 dimensional chessboard,” according to Adriana Calderon, Senior Project Manager at JLL (Calderon 2009).

As a result, Larson Realty Group (LRG), as the developer, interacted directly with the client, navigated the local political environment, and managed the expanding relationships and financial structure. In other words, LRG kept an eye on the big picture while other team members focused on individual tasks. Eric Larson, President and CEO of LRG, explains that, “a more flexible approach was needed to keep up with changing priorities” (Larson 2009). According to Larson, a flexible, specific strategy, as opposed to a resource-based strategy, was crucial throughout the process (Larson 2009). Anne Beck, Vice President of Administration and Finance for CCS, put it this way: “No matter how smart everyone is, everyone is still learning on their feet. It was very difficult to find similarities and applications. Smart people must be flexible. Rigidity would be very difficult (Beck 2009).

Complexity

Due to the complex financial structure, the unique mix of uses, the number of stakeholders, and the large scale of the redevelopment, the project involved innumerable moving parts. Richard Rogers and Anne Beck of CCS both insist that “keeping all the numerous parts moving forward and in sync” was essential, given all of the variables associated with the project (Rogers 2009). During the process, CCS continued to assemble financing and raise funds, so the project ebbed and flowed according to the evolving financial structure (Beck 2009). In addition, CCS was able to secure financing before the global collapse of credit markets. Had CCS not finalized critical financial commitments when it did, financing would likely have been unavailable. Also, according to Matt Robertson, Director of Development with LRG, “the unique mix of uses required more regulatory requirements” (Robertson 2009). In addition, two major building partners decided

not to proceed with leasing space well after the project had begun. The more challenging the project became, however, the more tenaciously the stakeholders rallied to problem solve.

The project’s complexity inevitably led to construction delays and stakeholder frustration. As a result, the entire team tried to anticipate problems and have in place multiple contingency plans as the project evolved. At no point were the project design and finance parameters set. Anne Beck credits the participants’ evolving collaboration, their determination, and sheer luck (“aligning of the stars”) with keeping all of the parts moving in sync (Beck 2009).

Financial Structure

The development team did not anticipate the complexity of the financial structure, especially the New Markets Tax Credit (NMTC) component. How does a nonprofit college maximize tax credits, while complying with the regulatory rules governing them and at the same time preserving the college’s nonprofit status? How do multiple tax structures intersect with each other? What is the best way to allocate funds among six Community Development Entities (CDEs)? Such were the daunting problems confronting CCS and the financial and legal members of the development team.

The team employed several technical mechanisms to meet the challenges presented by the financial structure. Gordon Goldie, Partner at Plante Moran, said that the solution involved finding the right mix of NMTC equity and loan structures (Goldie 2009). The IRS even made a ruling especially to accommodate the structure. However, the “focus of the project was not only about maximizing the tax credits, but also how to gain as many stakeholders as possible to get them involved to collaborate,” says Cari Easterday, Director of Finance at LRG (Easterday 2009). Marc Hirshman, Senior Vice President at US Bank, agreed, noting that the community impact of the Argonaut project was vital to the involvement of an unprecedented six Community Development Entities contributing NMTC financing (Hirshman 2009). Finally, several participants credit Anne Beck of CCS with generating stakeholder buy-in. David Shon, Partner at Nixon Peabody, and Gordon Goldie both cite Beck’s management skills and ability to understand and communicate the financial structure to relevant stakeholders as keys to the project’s success (Shon 2009). “Anne knew what her financial statements would look like two years out,” explained Goldie (Goldie 2009).

“The complexity, impact, and benefits of the project have implications for urban planners, policy makers, designers, and real estate developers, among others.”

Lessons for Other Communities

The Vision Must Be Compelling

Without the bold vision and commitment of Richard Rogers, Steve Hamp, Matt Cullen and others to transform the City of Detroit and its educational opportunities, the Taubman Center would probably not exist today. Jim Becker, International Director at JLL, explains that “Detroit is a market that has been redlined; this deal is superhuman” (Becker 2009). Superhuman deals don’t happen without a compelling vision that reaches beyond any one stakeholder’s interest in a project. Eric Larson adds, “This project may not have been as successful if not for CCS and the tremendous support of the board (Larson 2009). CCS’s vision caused people to align with the project goals; lots of people wanted to help given the positive impact” (Larson 2009).

Not only was the vision compelling, but it also aligned broader initiatives and economic development goals. Because CCS and the School for Creative Studies provide creative education, the project aligned with Governor Jennifer Granholm’s “Cool Cities” initiative. The project will create approximately 200 new jobs, anchor a “creative corridor” from New Center to the Detroit River, develop a new model for school/college/business collaboration, provide a new pathway for minority students to art and design careers, and increase the diversity of CCS, other colleges of art and design, and the design professions.

Finally, this vision was essential to opening up non-traditional funding opportunities. Six CDEs contributed to the project, as did the Kresge Foundation and Thompson Education Foundation. Finally, A. Alfred Taubman donated \$15,000,000 as the lead gift to CCS’s “Advancing the Creative Spirit” capital campaign for the project. In gratitude to Mr. Taubman, CCS renamed the building The A. Alfred Taubman Center for Design Education.

Commitment to Place

Detroit and Southeast Michigan have been battered by the Great Recession more severely than any other metropolitan region in the country. (Katz 2009) This is primarily due to the continuing decline in the relative size of the industrial economy nationally; Detroit has always had the largest industrial concentration in the country. (Leinberger 2009) While industrial economic development continues to be important to the country and to Detroit, increasing productivity and international competition mean that it will have a smaller proportional share of economic growth and employment. In this way it is similar to agriculture, which, although still crucial to the country, has declined dramatically relative to the entire community (and now accounts for only 2% of all jobs) (Leinberger 2009).

The huge industrial concentration in Southeast Michigan has also allowed the region to build enormous wealth, which is reflected in the large foundations and cultural and educational institutions. Such institutions embody a generally unacknowledged strength: commitment to place. Although they have been battered by the economy, people raised in Detroit are generally passionate in their support of and attachment to the place, even if they must leave for economic reasons. The commitment by the sponsors of the Taubman Center, along with the philanthropic contributions, reflects a commitment to Detroit that has fueled many revitalization efforts over the past 30 years. This level of commitment is rare in other American metropolitan regions (Leinberger 2009).

Team Selection is Critical

The development team is critical for three reasons. First and most obviously, the team members must be highly competent in their respective disciplines. Ben Dorer of Plante Moran was encouraged to see that the “best and brightest were working on the deal”; he was impressed by the “brain firepower” of the team members, especially when it came to public finance (Dorer 2009).

Second, the team must be able to solve problems and work collaboratively. According to Anne Beck of CCS, “the development structure also included the collaborative process (Beck 2009). Each stakeholder made sure CCS was positioned to be in the right place at the right time. Even in the financial structure, people kept finding more creative ways to bring more resources to the table” (Beck 2009).

Finally, team members must share key values. In the Argonaut project, team members, partners, and stakeholders with a sense of civic duty and commitment to the community added significant value. For example, GM, which donated the building, continued to assist CCS by serving on the project’s steering committee. GM’s sense of civic duty has been evident in its ongoing commitment to New Center ever since it left the area nearly a decade earlier, according to John Blanchard, Executive Director of GM Worldwide Real Estate (Blanchard 2009). In addition, Matt Cullen adds, “the project connected people who were motivated to do the right thing, who had powerful ideas, and who shared similar long-term vision and values” (Blanchard 2009).

Planning, Predevelopment, and Collaboration Take Time

Nearly every stakeholder interviewed mentioned that more time would have allowed for better execution of the project. Time for planning allows for the proper selection of the development team, alignment of goals and expectations, and assimilation to various stakeholders’ internal processes. In addition, Tim Kolton and Joe

Kopeitz of Clark Hill both emphasize early involvement to ensure sources of financing and maximize incentives; otherwise one may lose out (Kolton & Kopeitz 2009). Gordon Goldie stresses the importance of planning in assembling the development team to help run Cost-Benefit Analyses and scenarios of different outcomes (Goldie 2009). Further, Matt Robertson of LRG and Adriana Calderon of JLL recommend planning to formulate ownership and financial structures to prevent unnecessary delays in construction (Calderon 2009). In addition, Calderon and Geoff Sleeman, Director of Facilities and Administrative Services at CCS, recommend formalizing decision-making processes to determine who's in charge (Sleeman 2009). Lastly, Anne Beck and Eric Larson warn against underestimating the professional fees involved in a complex transaction (Beck 2009).

Richard Rogers recommends considering the difficulties and potential benefits of collaboration. "So many people and [so much] expertise had to come together. Be open minded and creative. Get out of the conventional way of thinking" (Rogers 2009). Jennifer Luce observes that the collaborative process works best when the team has a close relationship and lots of dialogue. It takes time to establish trust, explore, and brainstorm (Luce 2009). Eric Larson adds that "Chemistry is very important" and recommends "[making] changes early to create the right team" (Larson 2009).

Higher Education Institutions Have a Significant Impact on Urban Areas

CCS and the Taubman Center provide the New Center district with a much-needed positive impact. Plagued by General Motors' exit from the district in the late 1990s, the New Center Council, the Business Association and Business Improvement District, and the City of Detroit adopted the New Center Economic Development Plan in 1997 with the goal of making the area a walkable mixed-use 24-hour destination neighborhood. As a result, the district has seen nearly \$419 million in new and pending investment in the form of new construction, redevelopment, façade improvements, 300 new residential units, the New Center Park, a Charter School, a hotel renovation, and the Tech Town business incubator, among other neighborhood improvements. The Taubman Center capitalizes on these initiatives and existing infrastructure by contributing to the existing character of the place while catapulting New Center into the new economy through innovative uses and collaborations.

The Taubman Center serves as an anchor, not only for New Center, but also for Detroit's larger Creative Corridor. The Creative Corridor includes a chain of creative economy businesses and institutions along the Woodward Avenue corridor. A development plan was recently created to link existing nodes of activity, promote new activity,

increase the density of creative economy businesses, and increase density of housing for creative economy workers. The Taubman Center will bring approximately 2,000 new people to the district daily, helping to establish the New Center district as a walkable node. In addition, the redevelopment created approximately 1,000 full-time equivalent construction jobs and will create approximately 200 permanent new jobs. Finally, the 300-bed dorm facilities contribute to a new 24-hour population.

The Taubman Center is two and a half blocks from the Detroit Amtrak station, which also will be the future home of M-1 Rail. M-1 Rail is a light rail starter system that will run along Woodward Avenue from New Center to downtown, linking CCS students to their existing campus located in the Cultural Center in Midtown. Thus, the Taubman Center serves as the northern anchor of the Creative Corridor.

Evidence of the positive impact of higher education on neighborhood redevelopment efforts can be found in Chicago's Loop and South Loop, which are now home to over 20 institutions of higher learning. As Tom Fuechtmann, director of DePaul University's Community and Government Relations Office, said, "These institutions do more than educate the next generation of business, community and civic leaders. They generate significant business activity and job creation, promote real estate development and preservation, and contribute to the vitality of downtown through cultural events and student residential communities" (DePaul 2009).

Fuechtmann directed a study of the impact of higher education institutions on Chicago's Loop in 2005, commissioned by the Greater State Council and Central Michigan Avenue Association. It demonstrated that Chicago's Loop is "the largest college town in Illinois." Higher education institutions within the Loop spend more than \$345 million on goods and services annually, generating \$777 million in direct and indirect economic activities and creating approximately 13,500 jobs (Hewings 2005). Special events by these institutions drew an average of 500,000 people annually, and ten educational institutions spent approximately \$159 million on renovation and new construction from 1997 to 2002 (Hewings 2005). The sector expects to spend \$339 million more in capital projects by the end of the decade (Hewings 2005).

Although the scale of the Taubman Center's impact in New Center is, at least so far, much smaller, the impact of higher education within walkable urban places in general, and within New Center and Midtown in particular, is unquestionable. Midtown is located in greater downtown Detroit, south of New Center and north of the downtown core along Woodward Avenue. The district houses Wayne State University, Detroit Medical Center, and Detroit's Cultural Center, as well as a cluster of significant public buildings, museums, galleries, and theaters. It has become

one of the most vibrant walkable urban places in the State of Michigan.

Similar opportunities exist for New Center with CCS and the Taubman Center as an anchor to engage the desirable demographic known as the “creative class” (a term coined by Richard Florida of the University of Toronto). Sue Mosey is President of the University Cultural Center Association, Midtown’s Business Improvement District. She believes that the Taubman Center redevelopment provides opportunities to encourage a pedestrian-friendly environment. CCS could create a “mini district” by working with the New Center Council to create a human-scale development with retail and/or student activities on the ground floor (Mosey 2009). The vacant parking lot adjacent to the Taubman Center is a logical spot for such a development, according to Mosey. “It could encourage retail and transit, serving as a gateway to the area” (Mosey 2009). In addition, this “mini district” would “link New Center and Midtown via Cass Avenue through TechTown. Cass Avenue is becoming a major pedestrian college district with 10 new projects” (Mosey 2009). Members of the creative class tend to be attracted to walkable urban places and are pioneers of this type of development. The location of the creative class within New Center and Midtown may be viewed in the future as one of the primary causes of the economic rebirth of Southeast Michigan.

Conclusion

A one time factory of innovation for General Motors Corporation, by 2000 the vacant Argonaut Building had become just another symbol of decay amidst the Detroit skyline. The unprecedented conversion of the large automotive office building into a center for creative education however, has transformed the Argonaut from a reminder of a bygone era to a catalyst for creativity within Detroit’s New Center District and generated transformative economic development opportunities. In this regard, the Taubman Center is an instructive example for other communities seeking to incorporate new creative uses to support their own historical character and spur new economic activity.

The complexity, impact, and benefits of the project have implications for urban planners, policy makers, designers, and real estate developers, among others. The project gives stakeholders, in cities with declining industries, hope for the future of their historical places and landmarks. In addition, the project enables communities’ to think about adaptive reuse and economic development in new ways.

Finally, the Taubman Center’s development process provides a model of the vision, competence, and tenacity necessary to implement similar projects in difficult market environments. Revitalizing a regionally significant

walkable urban place is especially difficult in a declining local and national economy. However, as the Taubman Center demonstrates, when passionate stakeholders unite under a common goal, seemingly impossible projects may be realized.

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