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## Breakthrough for the Broderick: New financing options revive long-stalled project

By [Daniel Duggan](#)

While most redevelopment projects are in the works for two or three years, the redevelopment of the David Broderick Tower in Detroit has been in progress for 27 years.

Known most recently for a stalled 2005 plan, the 35-story building has a notable history of derailed renovation plans.

The idea of turning the historic office building into residential space dates back to 1984 with a project that fell through by 1986. In fact, nearly one-third of the 83-year-old building's life has been spent vacant.

With occupancy planned by spring 2012 for the building's new use as a 127-unit apartment complex, the building's owners and developers are breathing a sigh of relief.

"This has been a long time coming," said Mike Higgins, whose family has owned the building since 1974. "And it illustrates how difficult it is to finance a project like this. It's only possible with the new financial tools available in the past couple years."

Built in 1928, the Broderick Tower spent more than 50 years as an office building. It comprised mostly small offices used by dentists and doctors, a much different layout from the typical 30,000 square feet of open space on each floor in a modern building.

The Higgins family operated it at about 50 percent occupancy until 1984, Higgins said, when the building was transferred to a developer under a land contract.

Development firm **J. Ryan Inc.** took over the building with the idea of creating a residential development, Higgins said, and emptied the building of all its tenants. But by 1986, the project could not secure adequate financing and, under the terms of the land contract, ownership reverted back to the Higgins family.



JOHN SOBCHAK

Fred Beal, president of JC Beal Construction Inc., worked with building owner Mike Higgins in 2005 to jump-start redevelopment of the David Broderick Tower in Detroit.

"But we got it back empty," Higgins said. "In 1986, nothing other than the roof antennas and the restaurant were leased."

Since then, the building has remained vacant and used mostly as a large billboard that can be viewed from Comerica Park.

At the end of 2005, Higgins teamed up with developer Fred Beal as the idea of residential development in Detroit started to heat up.

Beal, president of Detroit-based **JC Beal Construction Inc.**, originally was hired to estimate the project's cost and wound up as a partner in it.

The project, which was to be finished by the end of 2006, secured some financing through **Deutsche Bank**, but full financing never closed, Beal said.

Again in 2008, Beal and Higgins secured portions of financing for the project, this time with the help of **Bank of America**. But financing for the roughly \$53 million project proved to be a two-year ordeal.

Higgins and Beal credit Bank of America Senior Vice President Richard Hosey for being the backbone of the project. Hosey helped create a public-private financing framework that wound up being the right combination, Beal said.

"He created financial models for the project that a developer would typically hire a consultant to write and then submit to the bank," Beal said.

And that financial structure has become elaborate.

The entity that owns the building is **Motown Construction Partners L.P.**, which has 23 investors. The largest investor is Higgins, with Beal and his son Stewart each holding 2.5 percent stakes. The other investors have not been disclosed.

The investors raised \$5.5 million in equity. Bank of America has granted a bridge loan of \$21 million as well as a New Market Tax Credit for \$6 million.

**Chase Bank** and **Invest Detroit** loaned the project \$5 million and backed \$2 million in New Market Tax Credits.

On completion of the project, the startup expenses and bridge loans will be covered by state and federal historic tax credits and state brownfield credits with a total value in the range of \$24 million. The long-term financing is \$3 million more than the short-term financing, adding extra funds for for startup operations.

In addition, \$10 million in developer fees and construction costs will be paid out of future operations.

Now, Beal joked, they merely need to build the project and lease it.

The 127 units will be on floors five through 34 with rental rates starting at \$700 and hitting \$5,000 for the three multilevel penthouse units. Detroit-based **Kraemer Design Group PLC** is the project architect. In addition to a full interior renovation, the building's façade will be restored.

Leasing a residential project like the Broderick in Detroit will be difficult until the city attracts more employers, said Terry Schwarz, managing partner of Bingham Farms-based **Dover Realty Advisors**, which handles leasing for the **Lofts of Merchant Row** in Detroit.

He said demand for units in the Grand Circus Park area is based on people who can walk to work. That will change if a train is built along Woodward, he said.

"Whether or not they lease that up will really depend on what happens with employers coming

downtown," he said. "But as things exist right now, you can't lease another 127 units in Detroit without cannibalizing the competing buildings."

Schwartz said it will be interesting to see what kind of rental concessions -- such as free rent and other discounts -- will be offered and whether that creates pressure for other apartments to offer them.

But the three floors of commercial space in the building have already been spoken for. Invest Detroit plans to use the space as a business incubator, Beal said.

"This building is a gateway to downtown, and it shows everyone what is happening in the city," Beal said. "From a professional standpoint, I'm excited, but I'm also excited about what this means to Detroit."

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