



**DEVELOPMENT &
CONSTRUCTION
INCLUSION
REPORT**

2013-2017



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THE KRESGE FOUNDATION

Cover: The QLINE passes the North End Collective in the North End neighborhood.



From Downtown to the North End, QLINE drives \$7 billion in development along Woodward Corridor

Before the first paying passenger ever boards a QLINE streetcar, the \$180 million M-1 RAIL project has already paid big dividends as a catalyst for economic development along a 3-mile stretch of the Woodward Avenue corridor.

More than \$7 billion in new investment has poured into or is planned for 211 development projects on either side of the streetcar's path since 2013, when a \$25 million federal grant sealed a unique public-private partnership to jump-start mass transit in a Detroit region that had long resisted it.

"We wanted to be a catalyst for development and a demonstration project for transit, and I think it's going to be both," said Matt Cullen, the volunteer president and CEO of M-1 RAIL, which is tracking the early impact of the QLINE by compiling an ever-growing tally of new investment.

The Midtown area - which hosts the QLINE for just over 1.5 miles along its main Woodward thoroughfare - is home to a vast majority of the projects. About two-thirds of the investment along the line is complete, with \$2.4 billion planned for the future.

Those projects range from beer bars to bakeries, hotels, housing, new skyscrapers and a dazzling new arena complex for Detroit's pro hockey and basketball teams.

Until recent years, large chunks of downtown, Midtown, the North End and

New Center areas, were abandoned and blighted, leaving islands of activity - Wayne State University, medical centers, museums, stadiums and office buildings - isolated from one another.

"What the QLINE has done is take the entire length of Woodward from the river to Grand Boulevard and provide an attractive reason to develop and redevelop," said Eric Larson, president of the Downtown Detroit Partnership. "So a lot more of the infill opportunities that were not quite ready are now sitting in a very good position."

"I think the QLINE is going to have more of an effect than anybody believes," said Dan Gilbert, the Quicken Loans founder and chairman who has acquired more than 95 properties near the QLINE footprint since moving Quicken Loans downtown from Livonia in 2010. His company secured naming rights for the rail line and is also a station sponsor.

The QLINE does not ensure the success of Detroit's revival after six decades of population loss and disinvestment. Rather, it's an important first step toward bringing efficient mass transit to a region that has repeatedly failed to agree on a plan.

"It will create a more cohesive downtown core and that's exactly what happened in Minneapolis," said Rip Rapson, president and CEO of the Kresge Foundation, the largest individual funder of the QLINE, with \$50 million in grants to the project.

"More real estate investment will follow. I guarantee it," said Rapson, a former

BY THE NUMBERS

\$7
billion
investment

211
development projects

\$180
million
modern streetcar, rail construction & road rebuild

6.6 miles
roundtrip

10 years
concept to passenger operations

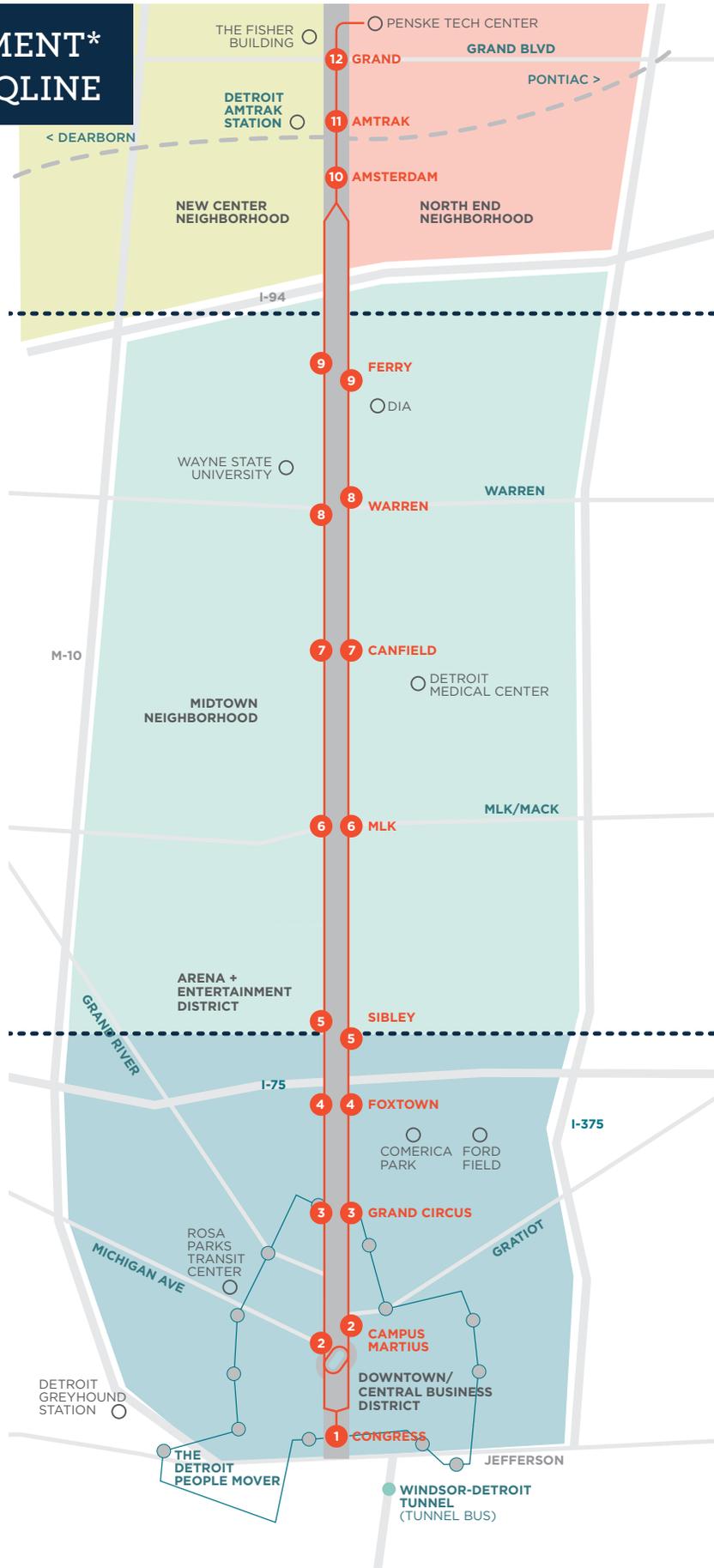
DEVELOPMENT* ALONG THE QLINE

NEW CENTER
\$1.0B

NORTH END
\$55.4M

MIDTOWN
\$1.5B

DOWNTOWN
\$4.5B



**Complete, under construction and pipeline investments, January 2013 - April 2017*

deputy mayor of Minneapolis. “The Hiawatha Corridor was a road to nowhere in Minneapolis,” he said, and within the first three years of a new light rail line (that opened in 2004) they had \$8- to \$9 billion of investment.”

“And most importantly,” he added, “it becomes a down payment on a larger regional system, and that’s exactly what happened in Minnesota.” In 2014, a Green Line extension opened, crossing the river to connect Minneapolis to St. Paul, with similar results.

Former U.S. Transportation Secretary Ray LaHood, who approved that \$25 million federal TIGER grant in early 2013 that enabled QLINE construction to commence, hails it as a remarkable, unique achievement – a streetcar line with mostly private funding in the only major American city without a regional transit system.

“Really, there was no other place like this where the stars really aligned to have the business community, the foundations, the charitable community, the political community all come together – and particularly after the fact that Detroit had fallen on such hard times,” said LaHood, a former Republican congressman from Illinois.

“It was just an incredible opportunity for the Obama administration to say, hey, Detroit is a great place to invest federal money matched with private dollars, matched with foundation dollars,” LaHood added.

To be sure, southeast Michigan is still a long way from having a regional transit system able to efficiently move commuters between Detroit and its suburbs, and visitors to and from airports. In November 2016, voters in the 4-county region narrowly rejected a 1.2-mill property tax increase to build and operate such a system over the next 20 years.

Paul Hillegonds, chairman of the Regional Transit Authority (RTA) created in 2012 as a precondition for LaHood’s federal grant to M-1 RAIL, expects the RTA to decide soon whether to ask voters again in 2018 or 2020 to approve a master transit plan and a tax to fund it.

“I do think that the QLINE getting up and running will help to excite the imagination of the region about what could be,” Hillegonds said. “I am confident that the QLINE will be perceived as a reason that there’s increased economic development along its route. I am confident that ridership will be strong.”

Initial estimates project QLINE ridership of at least 5,000 people per day.

Along the QLINE’s 6.6-mile round-trip route and 20 stops, the economic development trends reflect the changing faces of four distinct areas – downtown (the central business district), Midtown, New Center and the North End neighborhood.

From the downtown office towers that loom over Detroit’s riverfront to the New Center area and North End neighborhood along Grand Boulevard, these changes bring both opportunities and challenges.

Downtown: City core on fire

Detroit’s central business district, where Gilbert’s entities hold sway in a red-hot commercial real estate market, had an office space vacancy of 13.2 percent in the first quarter of 2017. That’s half the 26 percent vacancy rate in 2010, the year that Gilbert moved the headquarters of his corporate mother ship, Quicken Loans and 1,500 employees to Detroit from the suburbs. Now his firms employ 17,000 workers in Detroit.

The rising density of workers and residents downtown, in turn, has prompted a wave of new retailers, restaurants and bars to cater to them – which in turn attracts even more riders for the QLINE.



**DOWNTOWN
DEVELOPMENT**

\$4.5B
TOTAL

\$1.3B
COMPLETE

\$1.8B
UNDER
CONSTRUCTION

\$1.4B
PIPELINE

Photo: QLINE is powered by a 750 volt lithium ion battery and runs 60 percent off-wire, the greatest portion in the United States.

Credit: The Kresge Foundation

A few examples:

- Dennis Archer Jr. joined two partners in opening Central Kitchen + Bar in 2015, which has turned into a hot spot near Campus Martius Park.
- A year later in the historic Kales Building on Grand Circus Park, partners Ping Ho and Angela Rutherford launched The Royce Detroit wine bar and bottle shop.
- The vacant Federal Reserve building at 160 Fort Street was purchased by Gilbert in 2012 and renovated. The Rossetti architecture firm moved there in late 2013, followed a year later by the Detroit Free Press and Detroit News newspapers. In 2016 the Varnum law firm took space there and Maru Sushi Grill opened on the ground floor.
- Sportswear retailer Under Armour opened its first Detroit retail store at 1201 Woodward in April 2017, just a year after competitor Nike set up shop on the same block.

Not all of the new action is retail and restaurants, though. Microsoft is moving its regional technology office from Southfield into the former Compu-ware building at One Campus Martius; and Southfield-based auto supplier Lear opened a \$10 million innovation center last fall in downtown’s Capitol Park neighborhood.

Rock Connections, a young call-center operation in the Quicken Loans family, has quickly filled office space near Ford Field with 850 people. And Gilbert, in a recent interview, said the firm’s CEO wants to hire 2,000 more, “but we have nowhere to put them; there’s no more space.”

Midtown: A fruitful harvest

You know you’ve hit a trendy sweet spot when two of Michigan’s coolest craft beer names, HopCat and Founders, choose your zip code for their new Detroit taprooms.

HopCat was the first of the two to hit Midtown, opening its 130-tap beer bar at Woodward and Canfield in late 2014. Founder Mark Sellers debuted HopCat in Grand Rapids and is now taking the brand national, with 30 locations planned. Detroit was his fourth outlet and he cited proximity to a QLINE station as a big plus for his location.

Founders Brewing, one of Michigan’s largest craft brewers, recently revealed plans for a Detroit brewery, taproom and restaurant at 456 Charlotte, just a few blocks walk from the Little Caesars Arena slated to open this fall.

Cachet among the craft beer set is just one indicator of what Midtown has going for it these days. Median home sale prices in mid-2016 hit \$293,000 here, almost double the \$167,900 recorded in 2013, according to data from Realcomp II real estate service.

And Dearborn-based Carhartt, the

128-year-old maker of rugged work apparel that's become an unlikely fashion darling for its authentic street clothes, opened a flagship retail center in 2015 at 5800 Cass Avenue, with a giant wall mural overlooking I-94 saying "Born in Detroit 1889."

It's all a bit mind-boggling for Sue Mosey, who was toiling as a community advocate in the 1980s when Midtown – nobody even called it that then – was a scattered patchwork of disparate neighborhoods; educational, medical and cultural institutions; a smattering of resilient bars, restaurants and other small businesses; and wide swaths that were abandoned, neglected or underutilized.

Today, as president of the nonprofit Midtown Detroit Inc. and often called the "Mayor of Midtown," Mosey talks wistfully about the not-so-long-ago days when getting people to live, or developers to invest, in Midtown was a struggle.

"For years and years and years we just sort of developed strategies we felt would help begin to stimulate investment here," she said. "Things like putting buildings on the National Registry so people could get tax credits to redevelop historic properties, and creating pre-development loan funds with the [philanthropic community]."

In early 2011, three big local anchor institutions – WSU, the Detroit Medical Center and Henry Ford Health System – and the Kresge and Hudson-Webber Foundations hatched a program to lure more of their employees to live near their workplace.

Managed by Mosey's group, the "Live Midtown" program of financial incentives for workers to buy, rent and fix up dwellings in Midtown was an immediate success, attracting more than 1,000 new residents in four years as the backers doled out \$1 million annually in incentives.

"When you've got people living and working there it begins to change the dynamic of how people feel about the city," said Nancy Schlichting, then the Henry Ford Health System CEO and an early promoter of Live Midtown, along with Mike Duggan, who led the DMC then before his election as Detroit mayor.

The program was later replicated by large employers in the central business district and appropriately named "Live Downtown."

By 2013, with more young adults moving into the area, a Whole Foods Market opening at Woodward and Mack Avenues and the federal monies for M-1 RAIL granted, investment in Midtown escalated.

"There was a whole sea change, more people walking around, population going up, more housing offered, food and retail," Mosey said. "And the QLINE plays into that, with larger developers for sure."

Throughout the upswing, there has been a conscious effort to include affordable housing in the development

Photo: The Woodward Garden Block in Midtown hosts a renovated theater, a coffee shop, 61 new apartments and retail and office spaces.

Credit: Macintosh Paris Associates

MIDTOWN DEVELOPMENT

\$1.5B

TOTAL

\$653M

COMPLETE

\$511M

UNDER

CONSTRUCTION

\$411M

PIPELINE



mix, so as not to price out existing residents of the area as the Woodward spine became more desirable.

In 2013, longtime Detroiters George Stewart and Michael Byrd led the way, capping a 10-year investment on the Woodward Garden Block between Selden and Alexandrine, by opening the 61-unit Woodward Garden Apartments. Monthly rents started at \$550 for a studio unit.

Data from Midtown Detroit Inc., which has tracked residential development in Midtown, New Center and the North End over the past decade, indicates that 31 percent of the nearly 2,500 units completed or currently under construction are identified as affordable. And an additional 400 affordable units are planned among 2,000 new apartments and condos coming to the area.

A new 199-unit upscale apartment complex with a retail bakery on the first floor, The Scott at Brush Park, at 3150 Woodward, is perfect example of a project aided by light rail, said Larson, the DDP president.

“It just opened, right on the QLINE in Midtown, and is far more successful and valuable being on QLINE than it would have been without it,” Larson said. “It’s very contemporary living - all the amenities - and the reason they can support that is not entirely the QLINE, but that location makes it very desirable and also very efficient.”

The Scott, with a 24-hour concierge, was developed by Broder & Sachse, and is commanding monthly rent of \$1,300 to \$1,500 for 1-bedroom apartments and upward of \$2,100 for 2-bedroom units.

Midtown is expected to be a key source of regular QLINE riders, with large student populations at WSU and the College for Creative Studies, plus medical center employees.

Another expected generator of QLINE

demand is the Ilitch family’s ambitious \$1.2 billion District Detroit project, including the Little Caesars Arena that will be the new home to both the Detroit Red Wings and Detroit Pistons this fall. Other aspects of the Ilitch plans include the new Mike Ilitch School of Business at WSU and expansion of its Little Caesars headquarters, which sits across Woodward from the modern Detroit Tigers’ Comerica Park and Detroit Lions’ Ford Field.

In all, Ilitch Holdings CEO Chris Ilitch said recently those projects are expected to generate more than 12,500 construction and construction-related jobs, more than 1,100 permanent jobs and more than \$2.1 billion in economic impact.

Gilbert is among those geeked about the location of the new arena. “Look at where they put that stadium” he said in a recent interview, “right up to Woodward. I was so excited when I saw that. I don’t think that happens without the QLINE.”

New life for New Center and North End

Back in its heyday when General Motors was the world’s largest company, West Grand Boulevard was indeed grand, home to GM’s Albert Kahn designed headquarters from 1923 to 1996 on one side of the boulevard and the stately Fisher Building and adjacent Albert Kahn Building on the other.

When GM decamped to the Renaissance Center two decades ago, activity and property values slumped in surrounding office buildings as well. Henry Ford Hospital, located across the Lodge freeway, kept the area alive with its 2,000 employees.

Just recently, New Center - located west of Woodward - and the North End neighborhood due east, have been enjoying a reawakening by sharing the northernmost stop of the QLINE .

Significant new investments on both sides of Woodward are being led by Peter Cummings, son-in-law of the Detroit business mogul and philanthropist Max Fisher.

Cummings had worked on a variety of Detroit projects with his father-in-law, but after Fisher's death in 2005, he spent more time in Florida, where he had a house and a real estate firm.

"He left for a while and then he came back with a vengeance," said Mosey.

Now, working with partners at The Platform, a real estate development firm, Cummings is involved in several major new ventures here:

- Third and Grand, the first new residential project in New Center in 30 years, broke ground in October 2016. The \$53-million, 231-unit structure on the site of a long-demolished Howard John Motor Lodge, is scheduled to open in 2018.
- In early 2017, Cummings' group began work on Baltimore Station, a \$7.5 million development that will include sidewalk retail and restaurants near the QLINE's Amtrak Station stop at Baltimore Street.
- Cummings also partnered to acquire the Fisher and Kahn buildings at auction in 2015, then announced a \$100-million plan in fall 2016 to renovate them. A mix of apartments, office and retail for the Kahn, and improvements to the Fisher that will include rotating art and photography exhibits in its magnificent Art Deco lobby.

Henry Ford Health System, meanwhile, is building a new \$100-million, 6-floor cancer center south of West Grand Boulevard, with a skywalk connection to the main Henry Ford Hospital. "It's part of a 5- to 10-year vision for an effort to create a more vibrant neighborhood around the hospital," said



Schlichting, who retired at the end of 2016 after 13 years as CEO of HFHS.

Schlichting approved a \$3 million donation to M-1 RAIL, in return for sponsorship of the QLINE station at West Grand Boulevard, about one-half mile east of the Henry Ford Hospital campus.

And in February 2017, the hospital and Detroit Pistons leadership announced the development of a new \$50 million, 100,000 square foot Henry Ford - Detroit Pistons Performance Center, which will serve as a comprehensive sports medicine, treatment and rehabilitation clinic, as well as the NBA team's practice facility and corporate headquarters.

In a nod to Detroiters who long for a transit system that will eventually extend more widely through Detroit's neighborhoods, M-1 RAIL built the Penske Tech Center - for streetcar maintenance, storage and operations - at the northernmost end of the QLINE in the North End neighborhood between Bethune and Custer streets.

NEW CENTER DEVELOPMENT

\$1.0B
TOTAL

\$142M
COMPLETE

\$723M
UNDER CONSTRUCTION

\$168M
PIPELINE

Photo: The Henry Ford - Pistons Performance Center will serve as a comprehensive sports medicine, treatment and rehabilitation clinic, as well as the NBA team's practice facility and corporate headquarters in New Center.

Credit: Rossetti



**NORTH END
DEVELOPMENT**

\$55.4M
TOTAL

\$9.4M
COMPLETE

\$2M
UNDER
CONSTRUCTION

\$44M
PIPELINE

Photo: Jordette Singleton's UnitedFront, a contemporary dress and skirt boutique recently opened in the North End neighborhood.

Credit: Ryan Southern Photography

“A decade ago as we prepared for Super Bowl,” Penske said at the grand opening of the \$8 million facility last year, “we were boarding up buildings in this area.”

Now, he added, Woodward is one of the “most successful and vibrant corridors in our state and much of that has to do with this project.” Penske chairs the M-1 RAIL board and his company has donated \$7 million to the streetcar project.

A very different project at the north end of the QLINE – small and entrepreneurial in nature – is appropriately called the North End Collective.

It’s a launchpad with 2,000 square feet of space in a building at 6513 Woodward Ave., between West Grand Boulevard and Milwaukee Street, where four small retailers will gain experience selling their products in a brick-and-mortar setting.

The four are:

- UnitedFront, a contemporary dress and skirt boutique;
- Purple Love , selling jewelry and accessories;

- Bath Savvy Naturals, handmade soaps and balms; and,
- The Traveling Pants Co., which has been operating a mobile boutique with trendy fashion forward clothing, accessories and wearable art.

Jordette Singleton said all four of the shop owners are native Detroiters looking to connect with the community.

A Wayne State marketing grad, Singleton has worked as a stylist and make-up artist, and has been selling her clothing at pop-up booths at various Detroit venues and events.

“Now I have a place for people to find me all the time, instead of popping up here and there,” said Singleton, who hopes Detroit’s revival effort has staying power.

“Detroit has had so many ebbs and flows downtown with businesses and resurgence and renaissance, but this time it looks like it’s here to stay and we definitely want to be a part of it,” she said.

She and her fellow entrepreneurs at North End Collective plan to go all-out to welcome QLINE travelers on the streetcar’s opening day, May 12, offering Faygo pop, Detroit Popcorn, Better Made potato chips and other hometown products to customers.

QLINE: Mirage, or miracle in the making?

It doesn’t seem quite fair that the QLINE carries with it so much baggage on its upcoming maiden voyage with paying customers.

There’s the heavy weight of Detroit’s chronic mass transit failures – the inability of city and suburbs, decade after decade, to agree on a sensible regional plan to help people get around – to work, to school, to medical appointments, to visit with family and friends, or to the airport – without needing a vehicle to drive and park.

And there are the inevitable Detroit People Mover comparisons to the elevated driverless circulator that has never met initial ridership projections established when the system began operating in 1987.

But so far, the M-1 RAIL's improbable dream has survived a host of calamities that could have killed almost any new venture.

"There have been, like, nine lives to this thing," said Cullen, the M-1 RAIL President & CEO, "in two periods, before and after getting smacked during 2008-09 recession."

Early in 2006, a successful Super Bowl hosted in Detroit with a civic team led by Penske raised spirits; ditto for an earlier riverfront improvement led by GM and Cullen and heavily funded by The Kresge Foundation. Some regional leaders resurrected talk of an oft-shelved transit push; John Hertel led that effort.

Meanwhile, Rapson came to town as the new President & CEO of Kresge. He was invited to dinner by Penske and Cullen and asked to suggest ideas for civic projects where Penske could help out as an encore to his highly praised Super Bowl leadership.

"I said if I had my druthers I would run a light rail line right up the middle of Woodward Avenue," Rapson recalled. "From what I could see there was just no transit system of any real effectiveness in Detroit, and we had done something similar in Minneapolis on Hiawatha Avenue." The Minnesota project had spurred economic development along the route and led to later expansion into St. Paul, he said.

Months later, Penske invited Rapson to a meeting with Hertel and others and pulled out an engineering analysis of what it would take to run light rail up Woodward. In discussion with corporate leaders, they said it could be done

with private capital – about \$100 million. If Kresge would commit \$35 million, the rest could be raised from other donors and by selling station sponsorships.

Problem was, Detroit's young mayor, Kwame Kilpatrick, and his mother, U.S. Rep. Carolyn Kilpatrick, had other ideas. They favored light rail that would go all the way north to 8 Mile Road, at a cost of more than \$500 million reliant on federal funding.

When it became clear that additional federal money wasn't available for the project, M-1 RAIL leadership pressed forward with the privately funded 3-mile line.

Meanwhile, in fall 2007 Gilbert announced he would move Quicken Loans from the suburbs to downtown, and he was a forceful proponent of the private rail line. A nonprofit called M-1 RAIL was formed to raise money and pursue the idea. They were reluctant to be part of the city's larger proposal, but hadn't ruled it out.

A few months later, a series of crises erupted that would move all light rail aspirations to a back burner for a while.

A city in chaos

In January 2008, Mayor Kilpatrick was engulfed in a text message scandal that would expand to charges of perjury and payoff. He resigned in September and is in federal prison today. In 2010 his mother lost her seat in Congress.

And Detroit's business leaders had problems of their own in 2008.

Cullen, a 29-year veteran of GM who was heading the automakers economic development and enterprise services activities, was recruited by Gilbert to help orchestrate Quicken Loan's big move downtown. But the move would soon be put on hold for more than two years after the nation plunged into deep recession. Lehman Brothers' massive bankruptcy triggered a



Photo: Former U.S. Transportation Secretary Ray LaHood announces a \$25 million federal grant for M-1 RAIL on Jan. 13, 2013 with project leadership and state, local and city electeds.

*Credit:
John T. Greilick,
The Detroit News*

worldwide liquidity crisis three days before Kilpatrick exited as mayor.

Three months later, GM and Chrysler collapsed into the arms of Uncle Sam, kept alive by federal bailout cash. Both filed for bankruptcy in 2009.

With the city on the verge of fiscal default, Michigan Gov. Rick Snyder installed restructuring attorney Kevyn Orr to take over Detroit as its emergency financial manager. Orr navigated Detroit into the nation's largest-ever Chapter 9 municipal bankruptcy in mid-2013.

In 2011, the U.S. Department of Transportation had agreed to provide \$25 million in federal funding for a Detroit light rail project if the state would establish a regional transit authority (RTA). But later that year, then-Mayor Dave Bing and Gov. Snyder concluded Detroit could not pay the operating costs for such a system, so they dropped the idea and said high-speed buses would be the key to the region's transit future.

Penske, Gilbert, Cullen and Rapson wrote Snyder and Bing an urgent letter, pleading that they dial back the rail effort to the shorter route proposed by M-1 RAIL. At a hastily convened meeting in January 2012 with LaHood, Snyder, Bing and other local, county, state and federal officials, M-1 RAIL asked for time to complete feasibility studies for the streetcar line.

LaHood agreed, and a year later released the \$25-million federal grant to M-1 RAIL, but only after the state created the RTA.

"The feds had no idea what to do with us," Cullen recalled. "They liked the outcome, they were excited, they loved streetcars, Obama and his team, but they had no idea what to do with us, this little private group."

That was Detroit's plight at the time: the city had a dysfunctional government and was too broke to sell new bonds for a big project.

"So business leaders like Dan Gilbert and Roger Penske and those guys just

got together and said, ‘We’ll just do it ourselves,’ said Bill Nowling, Orr’s then-chief spokesman who now leads the Detroit office of Finn Partners, a marketing communications firm. “There was no other alternative to get things going. I’m glad they did,” Nowling said.

By the time Detroit emerged from bankruptcy in late 2014, the auto industry had recovered and GM and Chrysler were profitable again.

And somehow, after all the damage the Great Recession inflicted on Michigan’s largest city and industry, a dogged group of corporate and philanthropic leaders had managed to keep alive the dream of a Woodward streetcar line funded largely with philanthropic and private money.

QLINE’s moment of truth

As the QLINE’s operational launch date in May 2017 looms, lots of multi-million-dollar bets have been placed on the Woodward Corridor being a more attractive place to live, work, play and invest than perhaps at any time in Detroit’s last half-century.

That’s no guarantee of success for M-1 RAIL, though.

No one knows for certain if the QLINE will meet initial ridership projections.

And who can be sure if southeast Michigan voters will ever approve a tax to fund the streetcars’ operating costs after the first 10 years that M-1 RAIL has committed to cover? Or whether it will ever extend into Detroit’s neighborhoods and beyond?

Until those questions are answered there will always be skeptics.

But keep this in mind: M-1 RAIL and its plucky band of backers did not get this far by accident.

Ask Sue Mosey how many businesses were lost along Woodward during the

frustrating, 2-year construction period.

Only about 7 percent, she said, adding that 30 percent to 40 percent are common in such projects. “We did a very robust transit-oriented development plan, got together with about 60 major stakeholders up and down the corridor. We got a whole big contingent to come from Minnesota and tell us about the money they raised, to help businesses get through years of construction on their rail line.

“We came up with a \$1.5 million program to help businesses along the line with rent subsidies,” Mosey added, “and we held a lot of parking leases to make up for the 200 parking spaces we were losing on Woodward. And we did a lot of events over the past 2 1/2 years to just bring more bodies to frequent these restaurants and retailers.”

And despite all the fits and starts, said Cullen, the Michigan Department of Transportation rebuilt Woodward Avenue in a way that also helped lay new utility cables and fiber-optic lines for high-speed Internet. “That was huge. Absent that, there was no chance we could do this project,” he said, “because they had wooden sewers. It was just so bad, it cost like \$60- or \$70 million to rebuild Woodward for this.”

Going full circle to Ray LaHood, the Republican ex-congressman from Peoria, working for a Democratic president, who stuck his neck out to find money for Detroit’s QLINE:

“Probably the most significant thing I was struck by was the business community, having people like Gilbert and Penske, guys who could have been out ... doing their own thing and making money, but took such a great interest in Detroit and in the project and raised such an enormous amount of private money,” he said.

And from Rapson, head of the Kresge

Photos: The Penske Tech Center, located in the North End neighborhood, is the maintenance, storage and operations hub for the QLINE.

Credits (left to right): Cybelle Codish, The Kresge Foundation

Foundation, the largest donor of all with \$50 million to M-1 RAIL:

“I’m sorry we couldn’t get the RTA millage through in the referendum last year, but we will. We’ll go back at it, we will figure out how to stitch together a regional system, one way or another,” he said. “The stakes are too high and the rewards are too high for us not to bring it to fruition. Now that we understand what the possibilities are, there’s no turning back.”

Tom Walsh is an award-winning business journalist who retired in 2015 after 33 years as a reporter, editor and columnist at the Detroit Free Press.





BY DARREN A. NICHOLS

CONSTRUCTION INCLUSION

All aboard: Inclusive project ensures local companies cash in on economic development benefits well before QLINE leaves the station

Three years ago, Tarolyn Buckles' firm, Onyx Enterprise, Inc., had just two employees and a dream to lead a major civil engineering project in the Metro Detroit area.

Today, her dream has come to fruition and Onyx's profit margins are on the rise due to her firm's contributions to the M-1 RAIL construction development. The firm was hired among almost 200 construction companies to provide a variety of engineering, construction and technical services for the \$180 million modern streetcar project that will begin passenger operations in May 2017.

The multi-phased construction project included the rebuilding of Woodward Avenue by the Michigan Department of Transportation (MDOT), installation of the rail, and construction of a streetcar maintenance hub.

"We were a part of history. If it wasn't for the M-1 RAIL project we wouldn't have gotten that experience," Buckles says about the 6.6 mile streetcar project. One of 70 disadvantaged business enterprise (DBE) companies hired, companies like Onyx were able to participate in the project because of a vendor engagement and bidding processes that was established to make winning bids more attainable. (For simplicity in this this report, DBE is used to denote the aggregate of certified Minority-owned Business Enterprises (MBE), Woman-owned Business Enterprise (WBE), Detroit Based Business and Detroit Headquartered Businesses involved with the project).

M-1 RAIL, a nonprofit consortium of philanthropic and private donors established to build and operate the QLINE, was initiated to be a catalyst for a modern regional transportation

Photo: Workers level cement around new rail installation along Woodward Avenue in downtown Detroit.

Credit: M-1 Rail



**CONSTRUCTION
INCLUSION**

\$180M

MODERN
STREETCAR, RAIL
CONSTRUCTION &
ROAD REBUILD

\$50M/70

DBE CONTRACTORS

27%

DBE INCLUSION

\$714K

AVERAGE
DBE CONTRACT

Photo: Miles of rail were cut, welded and installed in preparation for QLINE.

Credit: Doug Coombe

system in the region. But as it relates to another goal - ensuring an inclusive construction project - the future is now.

It offered opportunities to participate in the project to owners like Buckles, and other certified DBEs such as small businesses and those owned by women and minorities, who have traditionally been overlooked by developers of major construction projects in Detroit and southeast Michigan. State-wide there are 306,986 minority owned and 158,946 women owned firms, U.S. Census data shows.

Over the course of three years and 700,000 workhours designing, planning and building the M-1 RAIL, DBEs represented 27 percent of the contracts - totaling roughly \$50 million - for construction services. Those services spanned demolition to trucking, surveying to sewer work, welding to paving and everything in between.

Achieving an inclusive construction project starts at the top, and QLINE's success was no accident. At the

earliest stages of the project, M-1 RAIL leadership met with its two major partners - an owner's representative and the construction manager and general contractor - to outline a path to comply with federal requirements which call for all projects receiving U.S. Department of Transportation funds to implement and enforce a DBE program. The goal is two-fold: first, to ensure there is no discrimination in awarding contracts; and second, to create a level playing field for MBEs, SBEs and WBEs to compete fairly.

But merely complying with DOT guidelines was not sufficient to the leadership group. Desiring to engage workers and services that fully represent the city and region, ownership established an inclusion goal to award 25 percent of construction contracts - twice the national average - to DBE companies, and strategized to determine how they would reach the self-imposed benchmark.

In 2013, M-1 RAIL selected owner's

representative HNTB – a global firm that specializes in managing large and complex projects for private owners – as well as construction manager and general contractor Stacy and Witbeck – one of the nation’s largest heavy civil contractors and top builder of light rail, commuter rail and streetcar systems – to oversee the streetcar development and related construction.

President & CEO Matt Cullen calls the QLINE a transformational project for introducing a new mode of transit to Detroiters, attracting new businesses and residents to the Woodward Corridor and growing the city’s tax base.

“But equally important, this project has been a game-changer for many Detroit-based, minority- and women-owned businesses and their team members that made this project a reality,” Cullen said. “We made it a priority that this project reflect our community from the first design concept to final construction. Our local businesses rewarded that commitment by building a system that will fundamentally change the heart of Detroit.”

The project is a great example of the unprecedented public-private partnership’s commitment to inclusion of Detroiters in the rebuilding of the city. That’s fitting given Detroit still has the highest percentage of African Americans of any major city in America at 83 percent.

Buckles joined a workforce development training and apprenticeship program, created by HNTB, that prepared workers for construction and other project jobs. She was trained for nearly a year in human resources, finance and MDOT regulations. Participation allowed the lifelong Detroiters and her company to serve as the quality control manager for the project’s required municipal utilities inspections.



After 28 years in the industry, the training was a godsend. Not only would her company work on the historic streetcar project, but the training expanded her personal opportunities. Onyx now has seven employees and a second office in Ohio.

“It was one of the highlights of my career with M-1 RAIL and is a highlight of my firm. It is the one I hold in high regard,” Buckles said. “It’s something in a pivotal time in our city to have this mode of transportation.”

In addition to the training and apprenticeship program, when it came time to let bids, the construction team reduced large, complex portions of the project (typically awarded to one prime vendor) into smaller parts. This allowed smaller firms – that may not be staffed, financed or insured at the same levels as their larger counterparts – to compete.

“We created packages they could actually win,” said M-1 RAIL vice president of external relations, marketing and communications Sommer Woods. “We built RFP’s that fit their scope. And instead of one contract, we split it up into several tier-one contractors. This was not popular because we were breaking up the usual method of work.”

The strategy resulted in doubling the

Photo: Tarolyn Buckles (left) and her Detroit-based civil engineering firm contributed to the QLINE construction project.

Credit: DPTV



Photo: The Woodward Avenue bridges over I-75 and I-94 were completely rebuilt by MDOT to accommodate the QLINE.

Credit: Stacey and Witbeck

number of contractors on the project. Detroit-based DBEs won bids ranging in size from \$8,200 (Industrial Fence and Landscape Inc.) to \$5 million (Blaze Contracting, Inc.). The average size of contracts awarded to DBE companies was approximately \$714,000.

Still, most of the major contractors went through an extensive process to find minority vendors. Companies such as Stacy and Witbeck, the largest contractor on the project, began identifying potential bidders, particularly interested MBEs and WBEs, to provide assistance with MDOT Pre-Qualification, DBE certification, and bonding and insurance services.

Woods and the M-1 RAIL construction team conducted four project outreach events for prospective bidders. At the sessions, interested contractors were given lists of potential DBE subcontractors and suppliers and were encouraged to reach out to those companies to create bid packages that better matched the capacities, qualifications and experiences of potential local bidders. And the bid solicitation process was demonstrated online, where access to project plans,

specifications, notices and bid documents were also housed for public access.

The efforts created several bid packages tailored to smaller and up-and-coming businesses. In addition, a vendor database was established so the construction manager could rapidly send out digital bid notices to all interested companies.

During bid solicitations, 11 group meetings and forums were conducted, along with 21 individual meetings. In all, the sessions attracted more than 650 representatives from subcontracting companies, suppliers, service-providers and trade organizations.

Ultimately more minorities, women and Detroiters worked on QLINE construction.

“This project gave many businesses the experience they needed to bid on other road projects,” Woods said. “And now they have rail experience which is not the norm in Michigan. Our hope is that we can use this project as an example for future projects that strong inclusion is possible.”

That meant a lot to longtime businessman and lifelong Detroiters Sharmyn

Elliott, who calls the project a model for others to emulate nationally.

Elliott understands the significance of M-1-RAIL. He recalls his days riding city buses through a vibrant downtown.

As Vice President of Somat Engineering, he also remembers looking out his downtown office window in the mid-1980s and not seeing any pedestrian traffic during lunchtime.

So working on M-1 RAIL was personal to Elliott, whose company, a certified SBA, DBE and MBE, was hired for several technical engineering services dealing with soil evaluation, removal and replacement.

“This project means that we were a critical component of the construction of a project in Detroit – in downtown Detroit and midtown Detroit – that’s going to be the impetus of transit going forward and we put that on our resume. We can show rail experience. That’s critical for us because that’s the first question [developers] ask you. What kind of rail experience do you have? Now we have this.

“We have a project sheet. We have an owner that will support us in the effort ... and the quality of our work ... so that’s huge,” Elliott says.

For a company that worked on major city projects such as casinos, the Charles H. Wright Museum of African American History and Ford Field, the M-1 RAIL project still felt unique.

“It’s different in the degree and the amount of collaboration that went on,” Elliott said. “Everything was above board. You knew what the expectations were. It was, ‘Here are your expectations, you will deliver,’ and ‘Here’s the opportunities that are going to be forthcoming on the project,’ whether it was during design or during construction.”

Detroit Electrical Services LLC was a subcontractor to both Stacy and

Witbeck and HTNB. The company attended one of the informational forums and submitted a bid. Originally, the certified WBE, MBE and Detroit-based company was awarded a small bid package, but as the firm continued working, their engagement expanded. By the end of construction, DES had completed a significant portion of the necessary M-1 RAIL electrical work – and a contract for \$1.1 million.

“It’s a great opportunity because it did open doors and things that don’t otherwise happen. Naturally it let us contribute and be a part of something historic for the city,” said Gloria Rhodes, president of Detroit Electrical Services, whose company has been around since 2013 providing electrical, electrical engineering and wholesale services.

Rhodes said the inclusion by larger firms helped to take her company “to another level.”

“It gives us the visibility we deserve because we are qualified and we can do the work. So we enjoyed the relationship and they believed in us. We were qualified and they saw that. Sometimes if it’s not required you don’t participate.”

“It has to be [larger] companies that look for qualifications and start focusing on the minority businesses that can produce the work. That poses a challenge and has always been a challenge for us,” Rhodes said.

“There’s been a lot of literally blood, sweat, and tears,” said Matt Webb, an HNTB project manager overseeing the M-1 RAIL development for nearly five years.

And it was complicated, requiring HNTB to assemble inclusive groups for design, construction, system integration testing and for federal safety and security compliance.

For Webb, it was all worth it. “It is a labor of love ... across our [whole] team,” Webb said. “This project had a fixed budget [and] it was a project that we had to deliver [on time]. We had to deliver. That meant sacrificing and being out there night and day and weekends. We worked through winters, which is not typical in our industry. It should really shut down.”

The practice of regulating disadvantaged business inclusion in Detroit dates back to former Mayor Dennis Archer, who issued an executive order in the mid-1990s to increase participation of minority- and women-owned companies. Development agreements for each of the city’s three casinos required hiring practices that ensured that at least 51 percent of the workforce were Detroit residents and required casino developers to purchase 30 percent of goods and services from MBE, WBE, SBE or Detroit-based businesses.

For Lawrence Stevenson, M-1 RAIL did exactly what Archer wanted.

“They gave me an opportunity and with that opportunity I worked for three years,” said Stevenson, whose company performed multiple scopes of work involving brick paving and concrete hauling.

Stevenson Construction has been in business 13 years and he was able to hire seven employees during the three years he worked on M-1 RAIL.

“They didn’t know me and they gave me a chance,” Stevenson added. “[It meant a lot] for them to reach out and meet me and give me an opportunity to work on a major project at a time when all eyes are on Detroit. This opens up doors and trust that we can use the small guy or minority companies to work on major projects.”

And M-1 RAIL is opening doors for him that he hopes stretches nationally.

“This, to me, can be a blueprint for other entities and companies [to show] we can use small businesses. Small businesses move the economy,” Stevenson said.

For Buckles at Onyx, the vision for the M-1 RAIL project is timeless.

“We have to get more of our firms to have this [assistance and training],” Buckles said. “If we can have them do more partnering, you will see a lot more growth in Detroit. Nationally that’s a model for the entire nation to see that you can engage small businesses on these mega projects where they can get the training. [M-1 RAIL] should be commended for that effort.”

Darren A. Nichols is a Detroit-based freelance writer and was an award-winning journalist at The Detroit News. In his more than 20 year career, Nichols was a fixture in city hall and covered every Detroit mayor since Coleman A. Young.



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