

Comerica Tower

Detroit, Michigan

Project Type:
Commercial/Industrial

Case No:
C028006

Year:
1998



©Balthazar Korab. Courtesy of Hines Interests Limited Partnership

SUMMARY

The 44-story, 1 million-square-foot Comerica Tower at Detroit Center, Michigan's tallest office building, rises 620 feet above Detroit, its gabled roof and Gothic spires making it immediately identifiable on the city skyline. The tower provides a vital link between Detroit's financial district to the north, the government center to the south, and Renaissance Center, housing the global headquarters of General Motors, to the east.

FEATURES

- First office building to be built in the central business district in more than a decade
 - Spectacular views of the Detroit River and Windsor, Ontario
 - Efficient building design resulting in lower total occupancy costs for tenants
 - Secure building design, with state-of-the-art security systems and more control of access to the building
 - Pedestrian plazas and walkways resulting from effective use of zoning variance
-

Comerica Tower at Detroit Center

Detroit, Michigan

Project Type: Office

Volume 28 Number 06

April-June 1998

Case Number: C028006

PROJECT TYPE

A symbol of the revival of downtown Detroit, Comerica Tower at Detroit Center is a massive 44-story, 1 million-square-foot office building that fuses Detroit's financial district to its north with the government center to its south. Its conservative, graceful design shows that the tug-of-war between art and economics can be resolved successfully. Six months before completion, Comerica Tower was 100 percent leased with seven credit tenants renting space at rates higher than those prevailing in downtown Detroit, marking the beginning of a miraculous recovery that has surpassed the expectations of even the staunchest of downtown's promoters.

SPECIAL FEATURES

- First office building to be built in the central business district in more than a decade
- Spectacular views of the Detroit River and Windsor, Ontario
- Efficient building design resulting in lower total occupancy costs for tenants
- Secure building design, with state-of-the-art security systems and more control of access to the building
- Pedestrian plazas and walkways resulting from effective use of zoning variance

DEVELOPER

Hines Interests Limited Partnership
200 Renaissance Center
Suite 1200
Detroit, Michigan 48243
313-568-5600

OWNER

One Detroit Center Limited Partnership
500 Woodward Avenue
Suite 2850
Detroit, Michigan 48226
313-568-5600

DESIGN ARCHITECT

John Burgee Architects with Philip Johnson

PRODUCTION ARCHITECT

Kendall/Heaton Associates
3050 Post Oak Boulevard
Suite 1000
Houston, Texas 77056

GENERAL CONTRACTOR

Walbridge Aldinger
613 Abbott Street
Detroit, Michigan 48226

GENERAL DESCRIPTION

The 44-story, 1 million-square-foot Comerica Tower at Detroit Center, Michigan's tallest office building, rises 620 feet above Detroit, its gabled roof and Gothic spires making it immediately identifiable on the city skyline. The tower provides a vital link between Detroit's financial district to the north, the government center to the south, and Renaissance Center, housing the global headquarters of General Motors, to the east.

Comerica Tower was conceived in the late 1980s, when Detroit's office market was going through one of the bleakest times in its history. When the big three automobile companies began downsizing at the end of the national recession, the entire region, which depended heavily on the automobile industry, suffered a big hit. This plus a rash of relocations to Detroit's northern suburbs left downtown office buildings in desperate competition for the tenants that remained.

As dismal as the office occupancy scenario was, Hines Interests LP still saw an opportunity to build new Class A office space for the significant base of legal and accounting firms, auto companies, and other credit tenants interested in maintaining a city address. Not a single new office building had been developed in the central business district for more than 12 years, but Hines was confident that it could turn the tide. In fact, the developer was able to convince a sophisticated group of yield-sensitive investors and risk-averse lenders to commit funds to a project in a city that was considered to be an unsafe and unpromising site for investment.

A public/private partnership between the city and Hines was established to develop Comerica Tower and an attached parking facility. The partnership's ambitious plan resulted in an office building that was 65 percent preleased when construction started and 100 percent leased six months before the building was completed in December 1991. The blue-ribbon tenant roster includes some of the country's leading businesses, such as the accounting firms of Ernst & Young and Arthur Andersen Consulting; the law firm of Dickinson, Wright, Moon, Van Dusen and Freeman; J. W. Thompson Advertising; and NBD Corporation, a major financial company.

Comerica Tower at Detroit Center has served both as catalyst of the renaissance emerging in Detroit and as its symbol. Architectural critics have called the building traditional, conservative, and graceful, and the public and tenants also admire its design. The building's Gothic top—a somewhat controversial design element—has received generally excellent reviews, and it fits well into the city's variegated skyline.

DEVELOPMENT PROCESS

The city's \$29.7 million financial contribution to the project had three components: a \$7 million urban development action grant (UDAG); a \$16 million contribution to the land purchase through its borrowing capacity under Section 108 of the federal Housing and Community Development Act; and a land grant—the Bates Street right-of-way and parking lot—valued at \$6.7 million.

However, funding for most of the \$249 million project came from private sources. The Sanwa Bank of Chicago provided a \$165 million first mortgage, and four limited partners and the general partner, Hines, contributed \$54 million in equity.

The public/private partnership called for a jobs program that would ensure the participation of Detroit residents and small and minority- and women-owned businesses in the design and construction of the building and in the provision of construction materials. Comerica Tower's \$105.7 million construction contract was competitively bid under the following guidelines: residents of Detroit would make up at least 50 percent of total person-hours worked, minority-owned businesses would be awarded at least 10 percent of the subcontracts, and women-owned businesses and small businesses each would be awarded at least 5 percent of the subcontracts. Hines and city officials monitored these goals throughout the project, and all were achieved.

Comerica Tower commands a strategic location in downtown Detroit on a two-block site at the intersection of Jefferson and Woodward Avenues. When the site was acquired, a 30-year-old, poorly maintained, obsolete Greyhound bus station, a parking facility, and a motel occupied the eastern portion. The western parcel was empty, the buildings having been demolished several years earlier in an effort to facilitate new development. The street separating the two parcels was little more than a pedestrian walkway between the City-County Building and buildings north of the project site.

A variance negotiated with the city for a zero lot line along Woodward Avenue provided several benefits. It enhanced the view of Hart Plaza, the Detroit River, and Windsor, Ontario, across the river. It also enabled the land planners to incorporate large, landscaped pedestrian plazas on the north and south sides of the site and a pedestrian walkway between the tower and the parking garage, providing an inviting gathering place for the downtown community.

Designing a space-efficient building was the primary challenge. The tower's Class A space would have to compete with many older Class B and Class C buildings available at deeply discounted rental rates, as well as with newer suburban space. Since the building could not compete on the basis of rent per square foot, its success depended on its being able to offer tenants a more competitive total occupancy cost. This meant offering higher-quality amenities, greater space efficiencies, and lower operating costs than other downtown buildings. The tower structure was designed to

accommodate 25,000-square-foot floors with column-free, 45.5-foot spans. Given this highly efficient floorplate configuration, tenants coming into Comerica Tower from lower-rent space had to lease only 82 to 85 percent of the space they needed in less efficient buildings and thus could keep their occupancy costs about the same.

Hines determined that Comerica Tower's prospective tenants had two critical needs: convenient and secure parking and a safe and secure building. The first requirement was met with a 2,070-space, seven-story parking garage. The second was met by making security a top priority in all aspects of the building's design. Comerica Tower was designed to feel both accessible and secure at the same time. Instead of one large lobby, Hines created two more intimate yet impressive 30-foot-high lobbies with multicolored marble walls, one fronting Woodward Avenue and the other facing the garage on Randolph Street. The smaller lobbies are easier to secure. State-of-the-art building access and security surveillance technology systems are important tenant amenities.

While great architecture and public spaces were important priorities for both the developer and the city, first and foremost Comerica Tower had to be an economically viable project. If the building failed to attract a full complement of tenants paying pro forma rents, it would fail to serve as a catalyst for the revitalization of downtown Detroit. In fact, a partially filled financial failure would depress the area even further.

Comerica Tower has been economically viable since it opened in early 1992. In return for long term commitments to the project, several tenants were permitted to customize their space to include internal staircases, private elevators, and, in one case, a 30-foot-tall glass atrium library on the 40th floor. At opening, more than 80 percent of the parking spaces in the garage were leased under terms that are coterminous with the office leases.

Comerica Tower's leasing strategy includes long lease terms and contractual rental rates (with specific periodic increases) that include a full pass-through of operating expenses.

DESIGN

In 1992, John Gallagher, Detroit Free Press architecture reporter, wrote that Comerica Tower reveals "how constrained architects of even a major project are by economic factors. [It] is good architecture, but it illustrates the old art-versus-economics tug-of-war, and architect [John] Burgee resolved it as well as anyone could."

Burgess knew that the low real estate values in Detroit called for a conservative approach. However, conservative does not have to mean unattractive and uninviting. Burgess and long-time partner and mentor Philip Johnson included in their design graceful arches, a gabled roof, impressive interiors, and a dramatic Gothic spire—all of which helped to create an impressive new Class A address.

The building's stonework and Gothic-inspired detail fit the city's strong but conservative image and complement its rich architectural character. But behind the one-inch thick granite facade, tenants conduct business in modern state-of-the-art office space.

A glass-covered connector on which the gabled roof design is repeated joins the tower and the parking structure. The parking garage also is carefully designed. Arches and bays with iron grillwork break up its scale and help create a pleasant backdrop for the tower and other neighbors.

EXPERIENCE GAINED

- The vindication of Hines's confidence in a location that investors had long ignored shows that careful identification of unmet market needs can be rewarding. Comerica Tower proves that the prospect of a predictable and distributable cash flow can attract yield-sensitive and risk-averse investors to a city that was not on their list of candidates.
- Comerica Tower also demonstrates the feasibility of selective revitalization in overlooked urban locations. Like Comerica Tower, such projects may require a combination of public and private funds in order to assemble an attractive financing package and move forward.
- Comerica Tower has stopped the flow of office tenants from downtown Detroit to the suburbs. In 1996, the project generated more than \$14 million in real estate tax revenues. Furthermore, the success of Comerica Tower has sparked interest in other urban programs, including infrastructure development, retail development, improvements on Woodward Avenue, and improvements in the Kennedy Square neighborhood.

PROJECT DATA**LAND USE AND BUILDING INFORMATION**

Site area: 4.6 acres

Gross building area (GBA)
Office: 1,213,160 square feet
Retail: 15,900 square feet
Total: 1,229,060 square feet

Net rentable area (NRA)
Office: 941,454 square feet
Retail: 15,900 square feet
Total: 957,354 square feet

Building height: 44 stories
Typical floor size: 25,000 square feet

Parking
Structured: 2,068 spaces
Surface: 162 spaces
Total: 2,230 spaces

LAND USE PLAN

Use	Acres	Percent of site
Buildings	1.2	26
Parking structures	1.7	37
Paved areas ¹	1.7	37
Total	4.6	100

¹Surface parking and roads.

OFFICE TENANT INFORMATION

Occupied NRA: 100 percent
Average annual rent: \$18 per square foot
Average length of lease: 15 years
Typical terms of lease: Net of operating expenses; 15-year renewal at market rate; tenant improvements
Typical tenant size: 100,000 square feet
Largest tenant: 386,149 square feet

RETAIL TENANT INFORMATION

Occupied NRA: 100 percent
Annual rent: \$18 per square foot
Terms of lease: 15 years; net of operating expenses
Average tenant size: 15,900 square feet
Number of tenants: 1

DEVELOPMENT COST INFORMATION

Site acquisition: \$19,231,000
Site improvement and building construction: 166,473,000
Soft costs: 63,011,000
Total development cost: \$248,715,000

Development cost per gross square foot: \$202
Development cost per net square foot: \$260

ANNUAL OPERATING EXPENSES (1996)

Taxes: \$2,432,200
Insurance: 115,300
Services¹: 1,878,700
Maintenance: 1,119,200
Janitorial: 1,725,900
Utilities: 1,404,800
Management: 703,800
Total: \$9,379,900

¹Includes salaries and building services.

FINANCING

Sanwa Bank, Chicago (first mortgage): \$165,000,000
Section 108 grant: 16,000,000
UDAG loan: 7,000,000
City of Detroit land grant: 6,715,000
General partner equity: 5,000,000

Limited partner equity: 49,000,000
Total: \$248,715,000

DEVELOPMENT SCHEDULE

Site purchased: 1988-1989
Planning started: 1987
Construction started: March 1990
Leasing started: 1989
Project completed: December 1991

DIRECTIONS

From Detroit Metropolitan Airport: Take I-94 East to I-75 South. I-75 will end at Jefferson Avenue. Go one-half block on Jefferson Avenue to Woodward Avenue. Comerica Tower is on the right.

Driving time: 25 minutes from airport in nonpeak traffic.

David Parham, Report Author
Mary B. Schwartz, Editor, Online Project Reference File
Eileen Hughes, Managing Editor

This Development Case Study is intended as a resource for subscribers in improving the quality of future projects. Data contained herein were made available by the project's development team and constitute a report on, not an endorsement of, the project by ULI-the Urban Land Institute.

Copyright © 1998 by ULI-the Urban Land Institute
1025 Thomas Jefferson Street, N.W. Suite 500 West, Washington D.C. 20007-5201

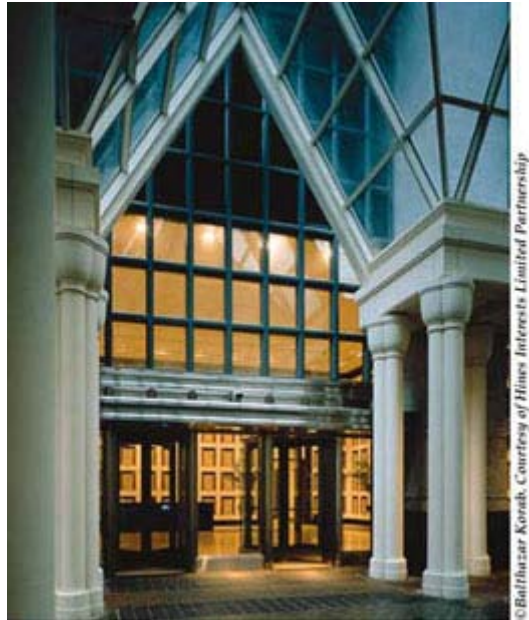


The 44-story structure's Gothic roofline creates a distinctive profile on the Detroit skyline.



©Balthazar Korab. Courtesy of Hines Interests Limited Partnership

The development's attention to detail carries through to the garage, which gains character through the use of arches and iron grillwork.



The architecture refines essential elements of a Gothic cathedral to modern simplicity.



©Balfanzar Korab, Courtesy of Hines Interests
United Partnership

This view of the lobby shows the high quality of Comerica tower's design and materials.



©Balhazar Korub. Courtesy of Hines Interests Limited Partnership

A three-story library occupies the top of the building.

