



BUSINESS

Wednesday, Feb. 7, 2007 Business dept.: 313-222-8765, business@freepress.com

www.freep.com Detroit Free Press

Sale of
city air
rights
signals
growthSpace above
Detroit skyline
attracts buyersBy JOHN GALLAGHER
FREE PRESS BUSINESS WRITERSometimes, the only way to go is
up.The recent announcement that
Detroit-based Roxbury Group
would build upscale condominiums
atop a planned city-owned garage
near the Book-Cadillac Hotel has
sparked interest in the novel idea of
air rights.To buy a
slice of
the skyFor sales
information on the Gris-
wold condo
development,
visit www.thegriswold.com, or call
313-580-
2200.Widely sold and
traded in New York
and other leading
cities, air rights
have been virtually
unknown in Detroit
up to now. Air
rights can allow de-
velopers to build
taller buildings
than zoning codes
normally allow, or,
in some cases, allow
development to
take place above
railroad yards,
freeways or park-

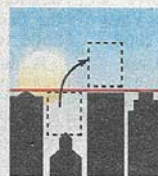
ing garages.

The use of air rights in Detroit
development is in its infancy, but
more examples may be on the way,
now that Roxbury's project, known
as the Griswold, is in the works."It is an extremely positive state-
ment about the market," George
Jackson, president of the quasi-pub-
lic Detroit Economic Growth Corp.,

Detroit's air-rights deals

Downtown is seeing novel uses of air rights as a tool in urban
development.Last year, developers of the
Book-Cadillac project donated
the air rights above the hotel to
a nonprofit preservation group
in exchange for tax credits.Roxbury Group recently
bought air rights to build an
upscale condominium project
on top of a planned new
city-owned garage to rise
next to the Book-Cadillac.

How air rights work in larger cities

As Detroit's downtown revives, the city might have
to adopt air rights practices used in New York City.Without height
limits, buildings
would block out
the sun at the
street level.Height limits are set
to let sunlight in.
The air rights height
limit is how high
you can build.Air rights can be
transferred from a
shorter building to
a neighboring
building so it can
build higher.This creates a
broken skyline so
the sun can pass
through. Sometimes
a maximum height
limit is set.

Source: Building image provided by Roxbury Group

DAVID PIERCE/Detroit Free Press

AIR | Detroit real estate grows upward

From Page 1E

said Tuesday. "It would not have been financially feasible five to 10 years ago, so to have it happening really is a good sign that the market can bear these types of projects."

Air rights have come into play in three deals downtown in the past year. In two of the cases, developers of the Book-Cadillac and Pick-Ft. Shelby hotel renovation projects donated their air rights — essentially promising never to build on top of their buildings — in exchange for tax credits.

In the third, the Roxbury Group is paying the city's Downtown Development Authority for the right to build its condo project on top of DDA's planned garage that will rise next to the Book-Cadillac.

To obtain the DDA's approval, Roxbury agreed to pay the extra cost of reinforcing the garage so it could support the condos on top — a figure still to be determined but something under \$1 million. The Griswold project in total costs about \$26 million, so the air rights added less than 5% to the overall cost.

Like any property owner, the DDA had the right to sell its air space as long as it doesn't interfere with air traffic and conforms to normal zoning and building codes.

The deal is being cited as another step toward reviving Detroit's once-moribund central business district. "At least some part of downtown now is starting to function like other major cities do," David Di Rita, a partner in Roxbury, said Tuesday. "It says that the market is maturing and evolving to a potentially high-end value market."

As a sign of how quickly the concept of air rights has taken hold here, even relatively new parking garages built downtown, like the 1001 Woodward and Detroit Opera House garages, both of which opened in the past two years, were built without the reinforcing that would allow future development on top of them.

"We're going to encourage garages to be more than just a garage," Jackson said. "We're asking already for ground floor retail, and I think it makes sense for us now to also have garages that have foundations that allow you

to build on top."

In crowded cities like New York and Chicago, air rights have long played an important role in development. In Chicago, the city's new Millennium Park was built using air rights over downtown rail yards.

In New York, height limits on new development have created a brisk market in air rights. Frequently, air rights are sold or traded to preserve historic churches and other landmarks.

In one common scenario in Manhattan, developers buy the air rights to build in the space over, say, a historic church, then transfer those rights to another site nearby, and there build a building higher than normally would be allowed.

In a record-setting deal, in November 2005 the Christ Church on Park Avenue in Manhattan sold the air rights over the church to developers for more than \$30 million so a high-rise residential tower could be built not far away.

Contact JOHN GALLAGHER at
313-222-5173 or
gallagher@freepress.com.