

# THE PALACE OF AUBURN HILLS

## ARENA SITE REDEVELOPMENT STUDY



**REPORT PREPARED FOR:**

Mayor Kevin McDaniel and the Auburn Hills City Council  
Chairperson Greg Ouellette and the Auburn Hills Planning Commission  
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City Staff: Team Viper and Team Shock

April 24, 2017



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***"To us, this is disappointing but it also provides us with new opportunities. My colleagues on City Council and I have the utmost confidence in our leadership team to work with Palace ownership should they discontinue use of the Arena or elect to redevelop the site."***

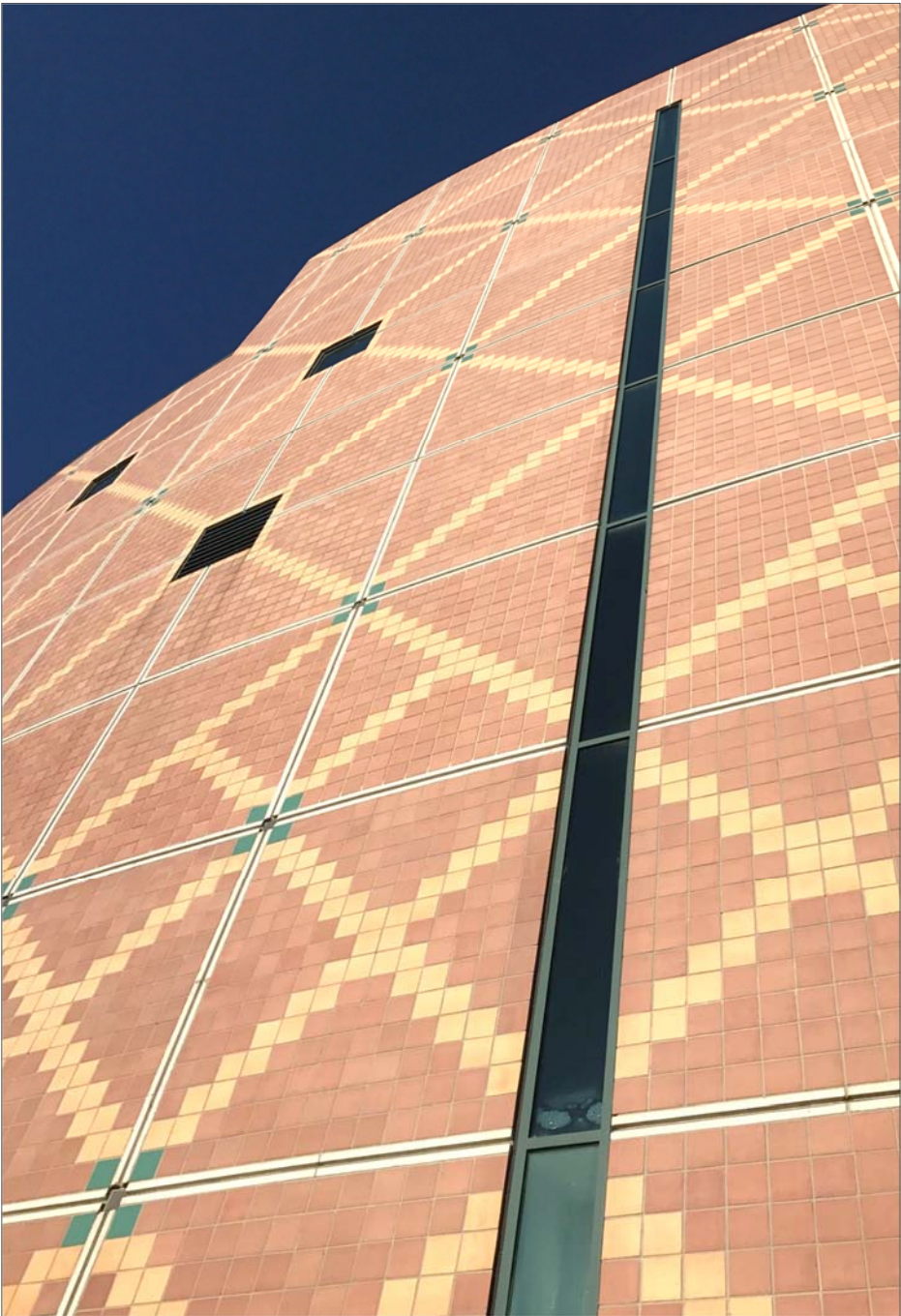
Auburn Hills Mayor Kevin McDaniel – Oakland Press  
October 31, 2016





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*The iconic building facade of The Palace of Auburn Hills*



# Background and Purpose

On November 22, 2016, after many months of speculation, Detroit Pistons owner Tom Gores formally announced to the public that he would move his NBA basketball team and its associated operations from the City of Auburn Hills to the City of Detroit.

Although not yet confirmed by Palace Sports and Entertainment (PS&E), this move appears to have inevitably set in motion the abandonment of the state-of-the-art Palace of Auburn Hills arena (The Palace) and spurred the need to re-purpose the adjacent Detroit Pistons practice facility. After only 29 years, a business decision has been made and these buildings appear to have been judged obsolete.

The findings of this internal planning analysis are intended to serve as our community’s first step in preparing for the evolution of the property. Auburn Hills wishes to work cooperatively with PS&E to create a realistic plan of action that will foster a “win-win” outcome for all parties involved. The purpose of this study is not to focus on the past, but to guide the future.



Announcement of the move at Cass Technical High School  
Photo Credit: Paul Sancya, Associated Press

## Existing Conditions and Influences

### Existing Zoning

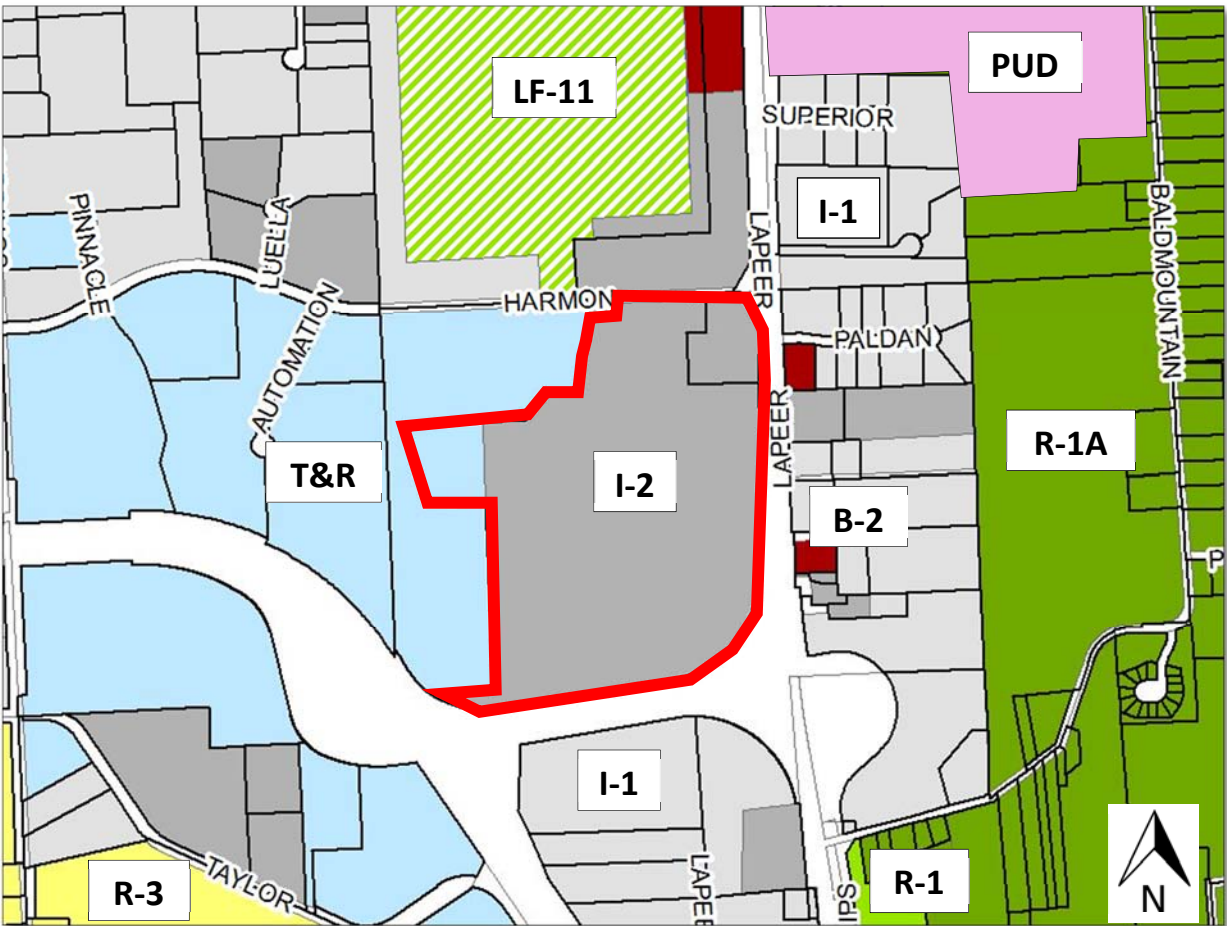
The majority of The Palace site, which includes the arena, is zoned I-2, General Industrial District. The practice facility is zoned T&R, Technology and Research District.

**Staff has concerns that the existing I-2 zoning would not facilitate the highest and best re-use of the property.** Although it is unlikely PS&E would entertain the industrial uses listed below (due to their desire to maximize their return on investment), City staff recommends the existing zoning be changed to ensure that only corporate offices and other high quality facilities locate on the site.

#### I-2 Zoning – Not Ideal

Below are uses not desired for this site that could be permitted under the current zoning:

- |  |  |
|--|--|
| <ul style="list-style-type: none"><li>• Self-storage facilities</li><li>• Large warehouse storage and distribution facilities</li><li>• Sheet metal stamping operations</li><li>• Metal plating, buffing, and polishing operations</li><li>• Building material storage and sales</li><li>• Lumber and planing mills</li><li>• Fleet fueling facilities</li></ul> | <ul style="list-style-type: none"><li>• Heating and electric power generating plants</li><li>• Commercial kennels</li><li>• Outdoor theaters</li><li>• Sales and rental of construction equipment and other types of large machinery with outside storage</li><li>• Vehicle sales space (car or RV dealership)</li><li>• Truck tractor depot and trucking facilities</li></ul> |
|--|--|



Zoning Map Excerpt



# Existing Conditions and Influences

## Wetlands

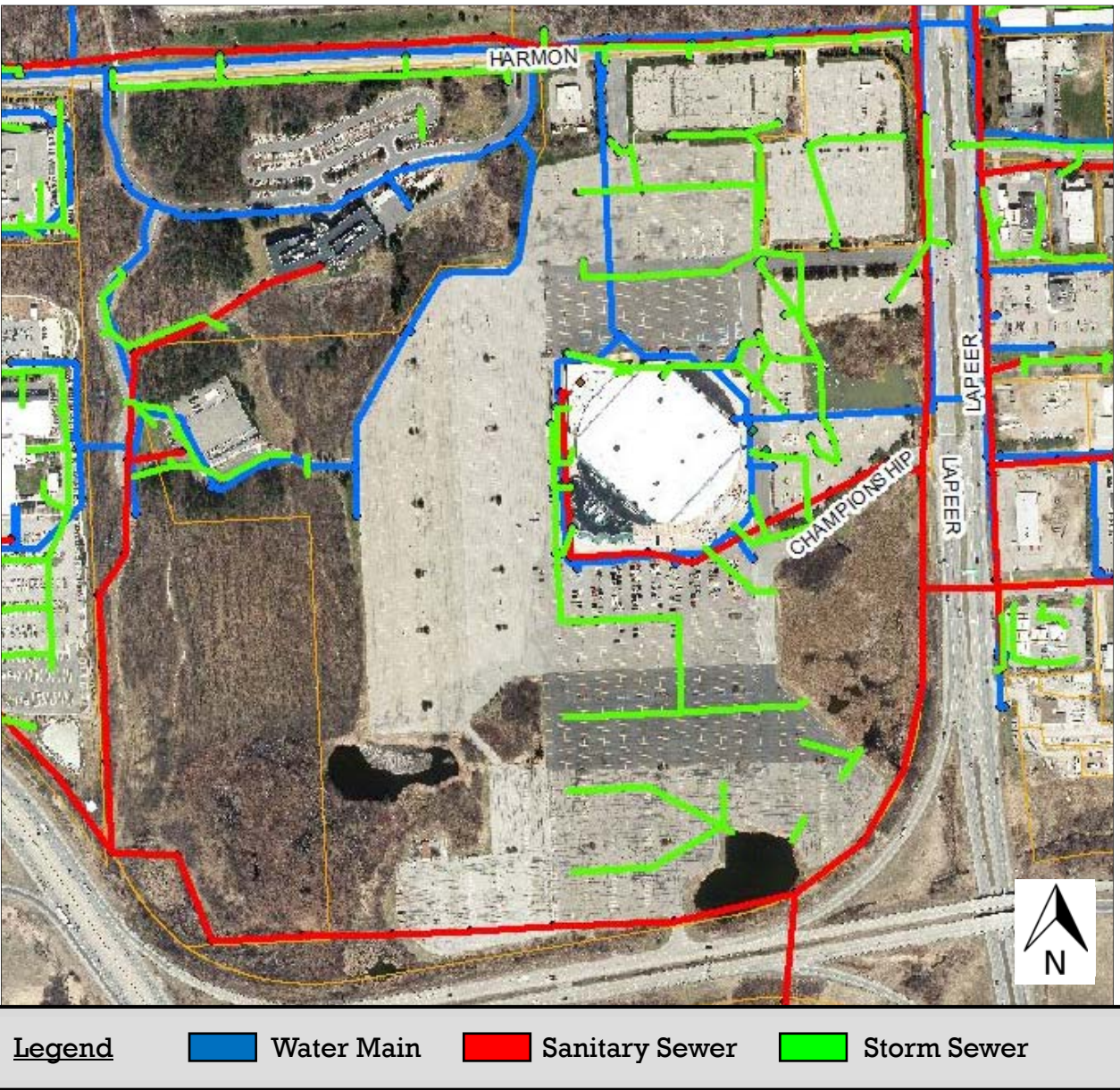
Our records show that The Palace site is 109.33 acres, which includes an estimated 18 acres of wetlands (16% of the site). The wetland areas are outlined in green on the map below. Approximately, 91.33 acres appear to be buildable. **The existing wetlands are not being used to their aesthetic potential today and could be enhanced to become assets and attractive focal points in the future.**



Wetlands

## Roads, Utilities, and Impervious Surfaces

The roads and utilities, located both inside and outside the property, are designed to accommodate a large number of people and vehicles. The Palace site has 8,400 parking spaces. The amount of concrete used in constructing The Palace is reported by PS&E to be “enough to pave a two-lane highway 23 miles long.” **It is recommended that new development utilize the existing curb cuts and internal roadways and preserve the existing utilities as much as possible to save costs.** The existing entrances consist of multiple drive lanes, which could be converted and enhanced into boulevards to create attractive gateways.



Primary Utilities



# Existing Conditions and Influences

## Oakland Heights Development Sanitary Landfill

Republic Services owns the Oakland Heights Development Sanitary Landfill, which is situated north of The Palace site.

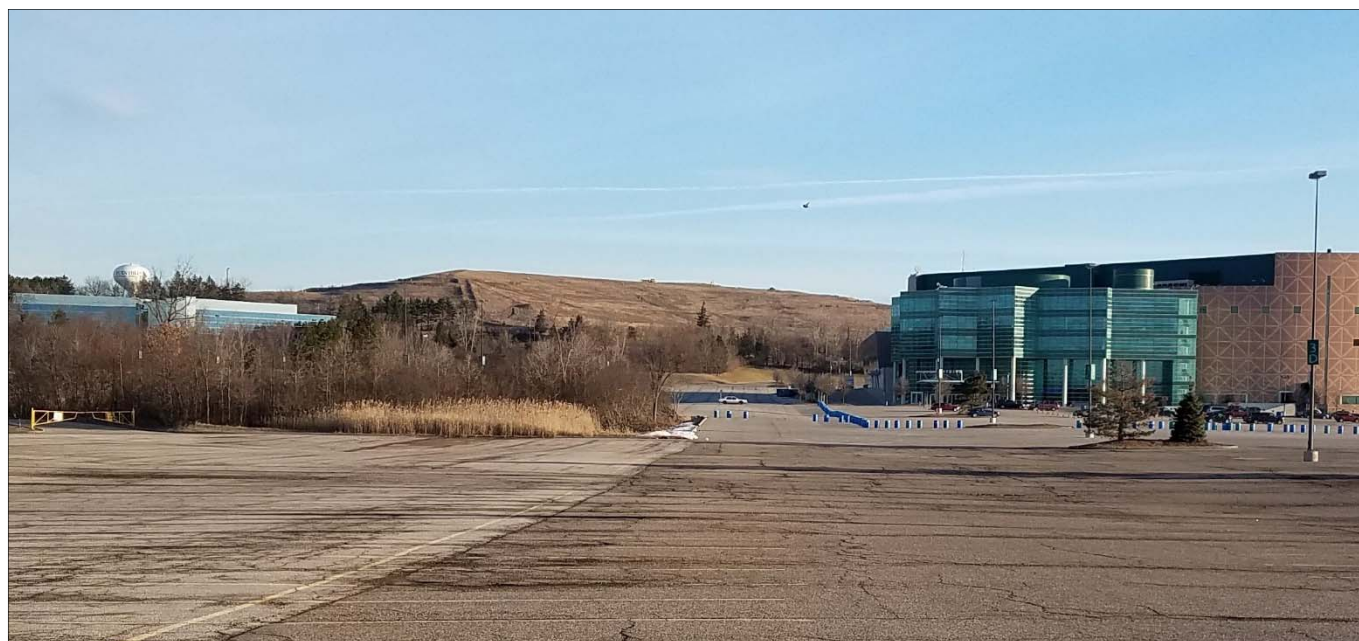
The landfill is near capacity. The southern slope of the landfill was closed in 2010. The final vertical and lateral expansion of the landfill is now occurring on 31 acres located near Brown Road. It will be capped at a height of 1,270 feet above sea level, which is 288 feet above the base elevation of The Palace site. The difference in elevation is equivalent to the height of a 21-story building. In comparison, the 15-story FCA US Headquarters office tower is 249 feet tall.

**The landfill is not the most attractive landmark in its current state, but the good news is that it should finally cease operation by 2023.**

Upon closure, the landfill is expected to look like a big hill. A parking area will be maintained at the current entrance off of Brown Road and a walking trail will be installed all the way to the top of the hill. It should provide an excellent view since the summit will be the second highest point in Oakland County, just 16 feet below the reported elevation of Pine Knob. The trail system will be open to the public during daylight hours and will be maintained by Republic Services.



*Aerial view of The Palace site and the OHD Sanitary Landfill*



*View of the landfill looking north from The Palace site*

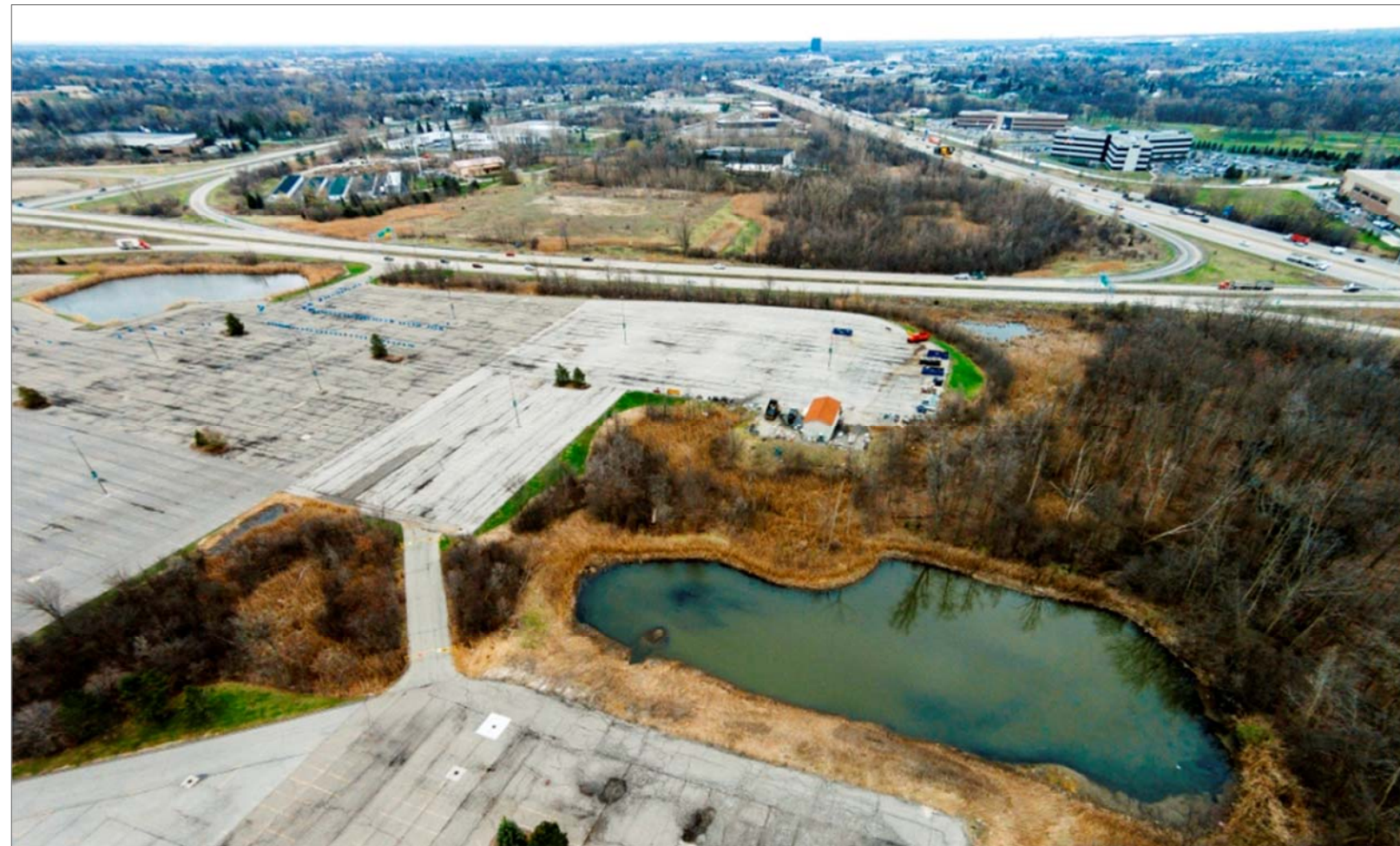


*View of The Palace site looking south from the top of the landfill*









***Quadcopter photos taken by Kyle Scislowicz, Media Communications Specialist***



# Visioning Process

After months of pre-study and investigation, City staff held a comprehensive visioning session on March 28, 2017 to discuss how The Palace site could be best redeveloped.

Twenty City staff members and consultants were broken into two even teams based on their professional expertise. They were asked the following primary question: ***“If the City were the developer of The Palace property, what would it do to maximize its return on investment both short and long term?”***

The groups spent considerable time discussing the future of the site based on its location, market demand, existing conditions and infrastructure, and surrounding land uses.

The two teams were directed to consider:

- 1. What type of land use/zoning would you want?
- 2. What mix of land uses would you propose?
- 3. What urban form and architecture would you like to see?
- 4. What should be done with roads and utilities?
- 5. How should environmental features be addressed?
- 6. Should it be walkable?
- 7. Should there be historical reference to The Palace of Auburn Hills arena?



## Team Viper



The Eye  
Steve Cohen, Director of Community Development

Stephanie Carroll, Manager of Business Development and Community Relations (Communicator)

Don Grice, Assistant City Manager  
Doreen Olko, Police Chief  
Tim Juidici, City Engineering Consultant  
James Manning, Fire Chief  
Bill Griffin, City Assessor  
Jeff Herczeg, Deputy Director of Public Works  
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Elizabeth Brennan, CD Executive Assistant

## Team Shock

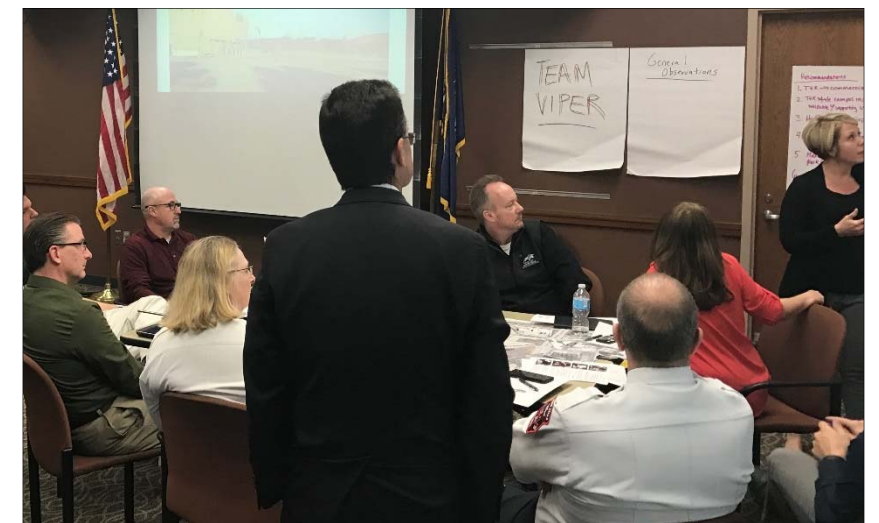


The Eye  
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Jim Stevens, City Engineer Consultant  
Jeff Spencer, Building Official  
Michelle Schulz, Finance Director  
Ron Melchert, Director of Public Works  
Derk Beckerleg, City Attorney  
Kyle Scislowicz, Media Communications Specialist





Photos taken during the staff visioning session



# Joint Staff Recommendations – “Scenario A”

At the conclusion of the visioning session, the two groups assimilated their findings into the following unified recommendation for redevelopment:

## 1. Rezone The Property From I-2 District To T&R District

The property is master planned for non-residential land use, which would allow it to be rezoned from I-2 to match the T&R zoning to the west of the property. The T&R zoning regulations encourage corporate office, R&D, and testing facilities. Staff felt the property could and should be developed into a technology park like Executive Hills or Oakland Technology Park.

The Zoning Ordinance states T&R Districts are to be located and designed to:

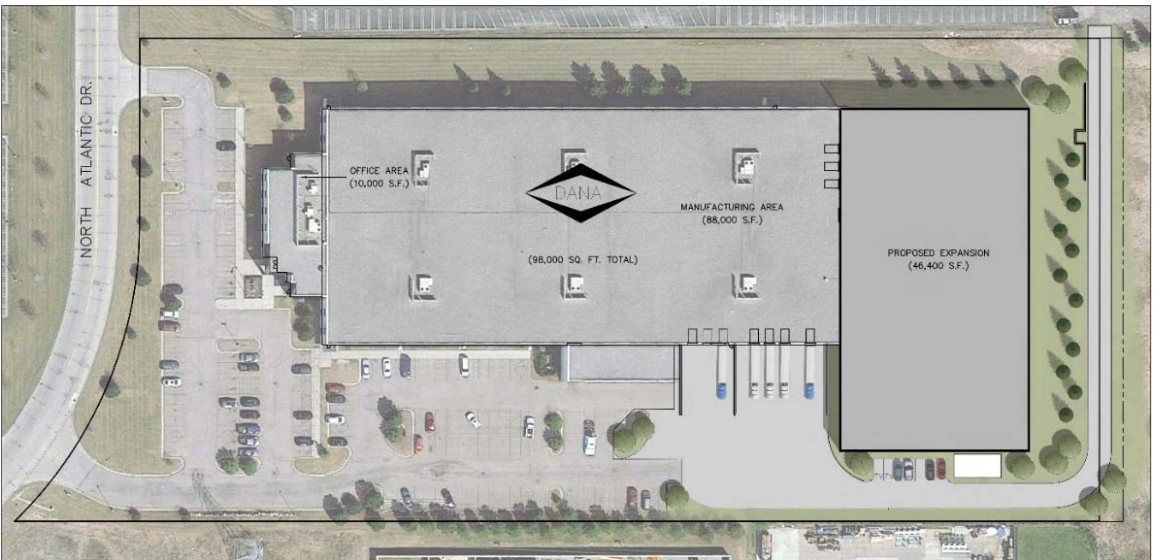
- Create employment and activity focal points which benefit the surrounding community.
- Provide opportunities for establishing mutually supportive relationships with institutions for higher learning.
- Afford safe and efficient access to and from nearby highway interchanges.
- Ensure a high standard of visual and environmental quality by preserving significant open spaces, protecting natural site amenities, and strictly limiting the nuisance impacts sometimes associated with light industrial operations.
- Create a unified District image through coordinated infrastructure development, site planning, and architectural design.

Staff unanimously agreed that the above T&R District description would be an ideal fit for The Palace site.

### DESIRED OFFICE AS PRIMARY USE



### NOT DESIRED SMALL, ONE-STORY OFFICE INDUSTRIAL AS PRIMARY USE



### Use of Land

- Change zoning
- Not Residential
- PUD desirable
- business park
- Conf. center w/ amenities (exc. ~~4000~~ Kellogg Kellogg (sp?) signs)
- TAX base considerations
- Retail support for site - lapeer visibility - one stand alone
- Hotel / conf. center - Lapeer Rd. or interior
- Practice Facility: exclusive memberships athletic club
- adaptive reuse of facility

### Issues

- landfill
- Roads
- Sea of parking w/ current layout of Palace

### Best Use of Land

Most efficient

Commercial?

Industrial? (20-30 units) similar to Executive Hills Park rather than one user. "recession proof" type businesses

T&R-light Industrial - generates a great deal of taxes along I-75

- Not Retail / No Big Box
- Office? - low demand for pure office
- Potential to look like Oak Tech park - Trees

### Issues

Lighting

Lapeer signals / Ramps MDOT

Water features

Traffic flows

Wetlands?

Need TLC & reused light

- Running out of Industrial land.

- Need T&R (40% ↑ \$)

payback to Gores - does it make enough money

Competition? \*LANDFILL\* May be closed by the time its redeveloped

Mix of Commercial Industrial could cause parking issues

Team Notes



# Joint Staff Recommendations — “Scenario A”

## 2. Hotel And Conference Center

An architecturally unique, signature business hotel and conference center was recommended for the property to better serve the needs of the corporate community in the region.

Oakland County officials have publicly commented for years about such a need. A six to ten-story hotel with 300 to 500 rooms, along with a conference center with flexible meeting and exhibit space between 50,000 and 75,000 square feet in size was envisioned. To save land, a parking deck would be needed to serve the facility.

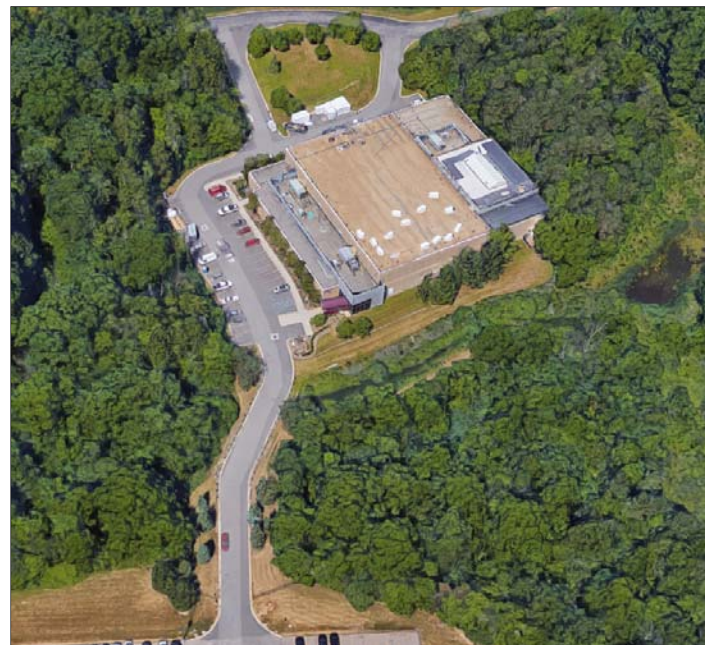
The group offered the Radisson Plaza Hotel in Kalamazoo, Kellogg Hotel and Conference Center in East Lansing, or a smaller version of the Amway Grand Plaza in Grand Rapids as successful examples and ideal models for this site.

## 3. Reuse Of Practice Facility As Executive Fitness Center

It was creatively suggested that the Detroit Pistons practice facility could be transitioned into a high-end executive fitness center, with or without an addition, which could be associated with the hotel and conference center.



*Radisson Plaza Hotel in Kalamazoo*



*Practice Facility – West of the Arena*



*Lounge for informal business meetings and socializing*



*Take advantage of the surrounding wooded area and nature with large windows to allow daylight to enter*

The practice facility has many of the elements needed for a fitness center. It includes a track, a sauna, hydropools, locker rooms, and offices. The existing basketball court is state-of-the-art with floors made of rubber material to cushion the impact of running. Staff thought the building could become a unique athletic facility with an added lounge offering wine or craft beer for informal business meetings.



## Joint Staff Recommendations

### **4. Architecture Is Important**

Staff felt it was important to protect and promote Auburn Hills' long-term economic vitality by encouraging high quality development. **Typical industrial buildings with small one-story office components should be discouraged.**

### **5. Restore Environmental Features to Create Focal Points and Assets**

These underutilized features can add nature and greenspace back to the land and provide a desirable amenity to the potential technology park.

### **6. Include On-Site Retail**

Provide fast casual restaurant and service options so workers do not have to leave the property at lunch time. Unique specialty restaurants could also be provided inside the hotel.

### **7. Create Walkable Park-Like Setting**

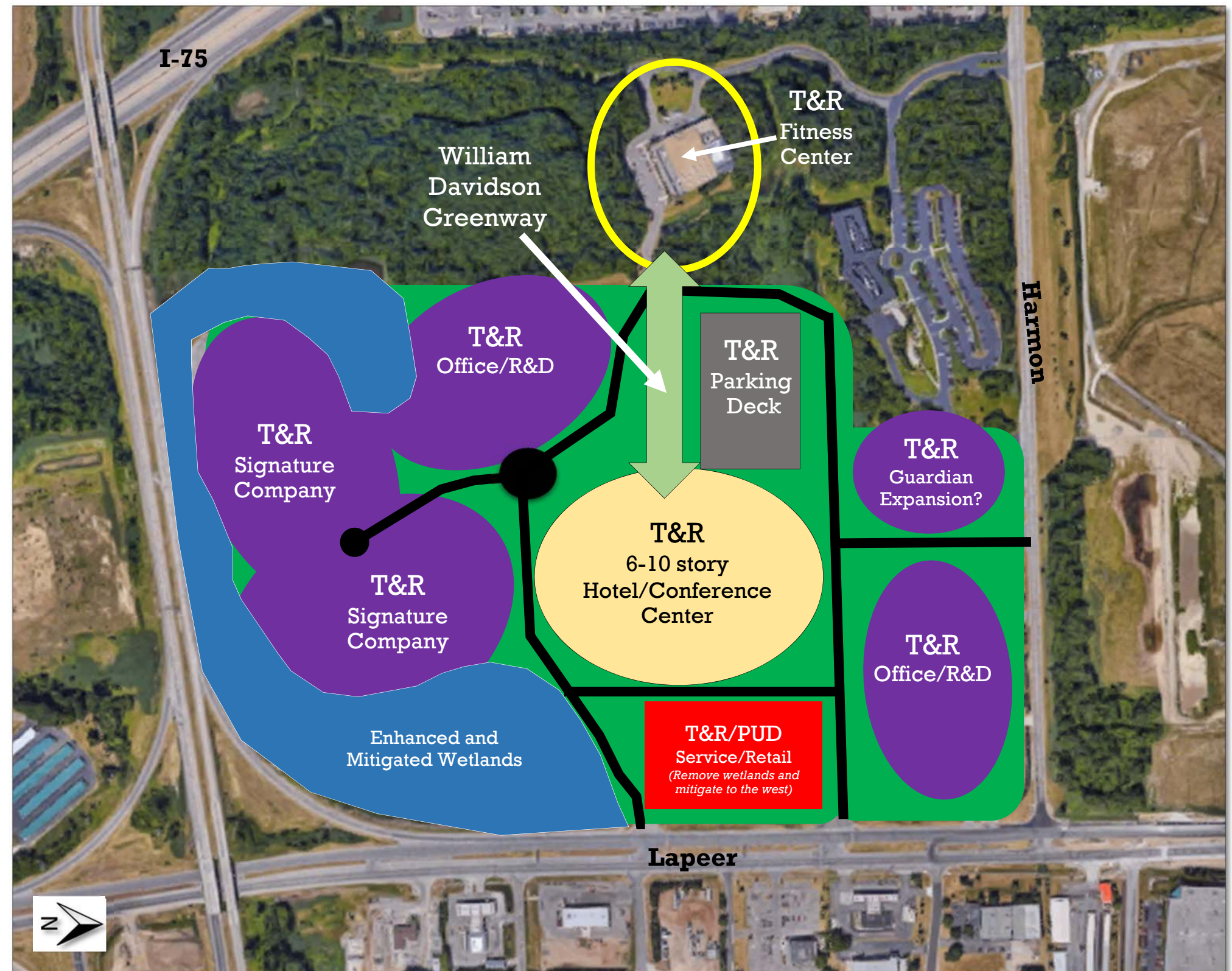
Add trails that connect to the internal street sidewalks to allow workers to exercise. "Complete Streets" best practices will be considered. **Staff recommended that a prominent greenway be added between the Fitness Center and Hotel.**

### **8. Provide Historical Reference To The Arena and William Davidson**

Use panels from the arena facade in entry signage, create a greenway with amenities in honor of Mr. Davidson, preserve the practice facility, and add some historical interpretation signage within the property.

## "Scenario A"

Below is City staff's unified recommendation for the redevelopment of The Palace site





# Developer's Perspective - "Scenario B"

On April 3, 2017, staff met with a respected industrial developer who has the wherewithal to purchase The Palace site. He believes the location would attract an estimated one million square feet of industrial use on three to four large scale sites; each designed with room for building expansion. The developer felt that the individual businesses should have their own separate entrance for identity and security reasons. In addition, the developer offered the thoughts below:

## 1. The City Should Remain Flexible

**If the City wants the property redeveloped quickly, it should not be overly selective or place restrictions/expectations on the site that would limit the pool of companies that could locate there.** Do not to require land uses not immediately demanded by the market or insist on extra roads, infrastructure, and site amenities that make redevelopment cost prohibitive.

## 2. The Market Supports Clean Industrial Use

Companies that want pure high-tech office, where office/lab are split off from production, have become few and far between. In addition, it appears that few "deals" remain in this economic cycle that involve automotive supplier facility consolidations; however Auburn Hills could strategically capture these remaining projects since there are limited sites of this size left in the region.

**The City should be open to what is now occurring in the Oakland Technology Park on The Palace site - with primary clean industrial uses being combined with corporate headquarters (15-30% office / 70-85% industrial).**

Companies are looking to combine facilities to save money and improve their corporate culture in an effort to attract younger workers. Auburn Hills can have the T&R look, with a park like setting and larger setbacks, while still allowing SLU permits for clean light industrial uses. Lastly, City leaders should remain open to limited outside storage of materials, via ZBA variance or PUD approval.

## 3. The Location Has Some Image Challenges

**The adjacent sanitary landfill will be an aesthetic liability, even when closed. Also, the site does not have direct visibility from I-75.** Pure office buildings or stand-alone corporate headquarters, like Nexteer or TI Automotive, are not expected to locate at The Palace site for those image reasons. Vehicular access makes the property well suited for large-scale clean industrial users like Faurecia, GKN Automotive, Hirotec America, US Farathane, and Visioneering.

### **KEY POINT:**

*The Developer advises the City of Auburn Hills that it should encourage large scale industrial buildings to locate on The Palace site due to market demand and the anticipated tax revenue such land uses would generate.*



**213,979 sq. ft. HQ for the Americas  
HIROTEC AMERICA**



### **General Development**

**2-story, 40,639 square feet - office (19%)  
173,340 square feet - manufacturing /warehousing space (81%)  
Room on-site for industrial expansion**



# Developer's Perspective - "Scenario B"

Below are the types of clean industrial facilities the City should encourage to locate on The Palace site.



240,689 square feet - World HQ  
US Farathane Corporation



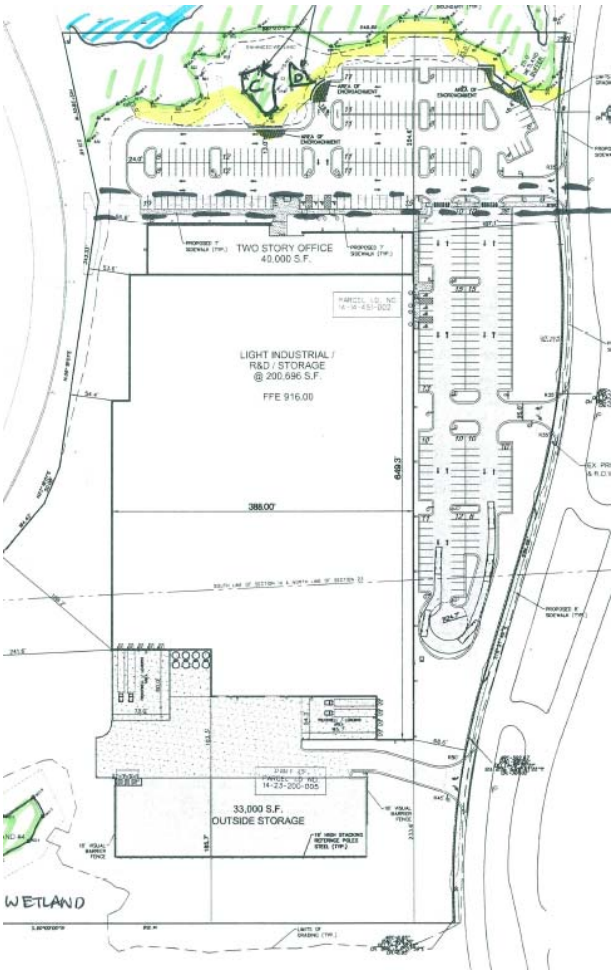
278,000 square feet - North American HQ  
Faurecia



168,056 square feet - HQ for the Americas  
GKN Automotive



181,122 square feet - United States HQ  
Visioneering



General Development  
2-story, 40,000 square feet - office (17%)  
200,689 square feet - manufacturing/warehousing (83%)  
33,000 square feet - outside storage (via ZBA variance)



General Development  
3-story, 170,250 square feet - office (61%)  
107,750 square feet - shop/warehouse (39%)  
Room on-site for office and industrial expansion



Dembs Development  
2-story, 90,346 square feet - office (54%)  
77,710 square feet - shop/warehouse (46%)  
Room on-site for industrial expansion



Cunningham-Limp  
2-story, 29,122 square feet - office (16%)  
152,000 square feet - shop/warehouse (84%)  
Room on-site for industrial expansion



# “Scenario B”

Below is City staff’s illustration of the developer’s vision for the redevelopment of The Palace site



## Building Mass Analysis / Tax Revenue Estimation

- Estimated one million square feet of T&R building floor area  
2,800-3,300 parking spaces
- **Recommendation:** Focus on office based R&D. Strictly limit manufacturing industrial facilities with excessive truck traffic. Encourage clean industrial with corporate office components.
- **Hypothetical Tax Revenue:** Clean industrial land use will average \$20,000 - \$40,000 per 100,000 square feet of building. Thus, \$200,000 to \$400,000 in unabated City taxes could be created annually when fully developed.



# Next Steps

Staff recommends that the Planning Commission and City Council proceed with the following actions:

**1. ACCEPT THE STUDY**

**Accept the findings of this report and authorize City staff to share it with our partners at PS&E.**

**2. REZONE THE SITE**

**Complete a City-initiated rezoning of The Palace site from I-2, General Industrial District to T&R, Technology and Research District.**

**3. FACILITATE REDEVELOPMENT**

**Assist with the comprehensive redevelopment of The Palace site by being flexible in allowing clean light industrial facilities like those envisioned in Scenarios A and B within this report. *It is noted that industrial uses could be permitted via a Special Land Use Permit in the T&R District provided they are high quality projects and designed with an associated two-story, or taller, corporate office component.***

