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East Village safe from financial turmoil, developers say

Five-year timeline may shelter project from economy's storm

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EAST LANSING - The developers of a major project along the Red Cedar River believe they can dodge the financial turmoil enveloping the world.

That's because the East Village development comes with a five-year timeline that should help insulate it from current events.

Construction on the \$750 million mixed-use development likely won't begin until 2010. That should give the economy and the credit markets time to calm down, said Fred Pierce, president and chief executive officer of San Diego-based Pierce Education Properties.

Pierce said the project will take about three years to build.

"Fortunately, because of our time frame, we're not trying to close financing in the middle of this turmoil," he said. "If we were, it would impact us like it's impacting everyone else."

Hundreds of new jobs are expected to be created as a result of the project, according to a report by East Lansing-based Anderson Economic Group. Hundreds of new residents are expected to move in, as well.

That doesn't mean there aren't challenges, though. Pierce said finding retailers to move into the mixed-use development might not materialize as quickly as hoped because of the tough economic times.

"If it takes longer because of where the retail industry is at, we're prepared to stay committed and weather the storm," he said.

Pierce Education's plans call for a 25-acre development bounded by the Red Cedar River, East Grand River Avenue, Bogue Street and Stoddard Avenue. It would include a mix of retail, entertainment, housing and riverfront access near Michigan State University.

The developer and its architect, Hollywood, Calif.-based 5 Design, began preparing advanced designs when the East Lansing City Council approved preliminary plans in March. Pierce presented updated plans to city officials Wednesday.

Plans call for about 380,000 square feet of retail, restaurants and entertainment venues. Possible tenants are a sports grill, piano bar, specialty grocer, 60,000-square-foot movie theater and a 1,000- to 1,200-seat live theater.

Housing options would include 200 for-sale condominiums, apartments for 1,500 undergraduates and 300 apartments for graduate students, university employees and others.

Pierce said he plans to begin talks with potential major tenants by the end of the year. The developer likely will aim to lease 60 percent to 65 percent of available space before obtaining construction financing.

Developers are investigating whether there is interest in or demand for a four-star hotel, said Theresa Nakata, vice president of marketing and communications. If a hotel is not feasible, they will fill the space with additional housing.

The East Village development also would include a park along the Red Cedar with a canal, terraced amphitheater and 10,000-square-foot glass structure called a "winter garden" that could hold 600 people, Nakata said. The garden's size was cut from 1,000 seats so there would be more park space, Pierce said.

Preliminary financial plans include \$200 million in tax increment financing from the city and \$50 million in tax credits, grants and low-interest loans, Pierce said.
