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Kellogg lease sparks interest downtown

Developer in right place, right time

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People are tipping their hats to Roger Hinman for his successful bid on downtown Battle Creek and the Kellogg Co.

Seventeen years ago, the real estate developer purchased his first multistory office building in Battle Creek beside Kellogg's global headquarters. He hoped to rent to the cereal giant and its contracted employees, but for years the building at 67 W. Michigan Ave. remained largely empty, said Anmar Atchu, vice president of marketing and leasing for The Hinman Co.

"He's been a patient man for a long time, and he's weathered a lot of storms," Atchu said Friday.

Hinman's bet has finally paid off.

Kellogg announced this week it had officially signed a long-term lease for a combined 180,000 square feet of office space in two buildings managed by The Hinman Co. That space includes all 140,000 square feet of the so-called Fifth Third Building at 67 W. Michigan Ave. and three floors of the Battle Creek Tower across the street at 70 W. Michigan Ave.

In a statement released by the company, Kellogg President and CEO David Mackay said the lease was signed at the end of 2009, and that the cereal giant is moving ahead with plans to shift employees from its Porter Street complex to downtown Battle Creek.

"W.K. Kellogg was as passionate about his community as he was about his company. That commitment remains an integral part of who we are today," Mackay said in the statement. "We care about the communities where we live and work and believe we have a responsibility to invest in them through partnerships, volunteerism, and donations of products and resources."

What remains to be seen is if Kellogg's move will attract other business, shops and restaurants to fill the downtown's vacant storefronts.

Critical mass

Developers have lamented what they call the chicken-and-egg problem in downtown Battle Creek. In order to attract businesses, you need people. And in order to attract people, you need businesses.

Now that a Fortune 500 company has committed to bringing 600 additional employees downtown, economic developers' dreams of filling vacant downtown buildings are closer to reality, said Karl Dehn, president and chief executive officer of Battle Creek Unlimited.

BCU owns a large portion of the vacant commercial space downtown, including numbered West Michigan Avenue properties 17, 28, 50, 115-117, 119-121 and 171 -- which is the former Cereal City

U.S.A. -- and 15 Carlyle Ave., said Cheryl Beard, BCU technology and marketing director.

"The only reason we own property is for economic development purposes," Dehn said of BCU, a nonprofit. "We are strategic in that we want to make it available for improved use or removal of blight."

Some new businesses, including a few restaurants, have recently expressed interest in downtown properties, he said. Financing is still a major hurdle as tight-fisted banks are currently unwilling to lend to risky ventures.

"Interest from restaurants is a perfect example of the kind of interest that can come from the larger concentration of people," Dehn said. "This is great news for us and critical to attaining that critical mass (of people downtown)."

A drug development company based in Princeton, N.J., announced plans in December to build a new laboratory in the former SEMCO Energy building downtown at 55 E. Hamblin Ave., bringing more than 40 new jobs.

Dehn suspects Covance Inc.'s decision to move downtown had less to do with Kellogg's employee shift than with its desire to be near the cereal and snack developer's newly expanded W.K. Kellogg Institute for Food and Nutrition Research at 2 E. Hamblin Ave.

Dehn hopes to see even more food-related businesses locate downtown to be part of the new National Center for Food Protection collaborative network.

"At this point, I think we're in the early stages of a revival of real estate downtown," he said.

Trickle-down development

Economic developers and property owners got more inquiries than usual on vacant downtown commercial units after Kellogg announced its intention to lease instead of build.

Bill Schroer, principal of WJ Schroer Co., a marketing and research consultancy, owns and leases commercial space at 2 W. Michigan Ave. The building is about 75 percent occupied, but Schroer has about 4,000 square feet in three spaces he'd like to fill.

"We did see a few more folks looking, but we haven't signed any," except one that had been interested prior to Kellogg's announcement, he said. "This has certainly been a tremendous benefit for The Hinman Co., but we haven't noticed an actual benefit yet."

Schroer, however, is optimistic about Kellogg's commitment to the city center as part of Battle Creek's downtown revitalization plan.

Kellogg's move will "soak up a lot of vacant office space" and stabilize current rental rates, Schroer said.

"It certainly helps my space stand out because a lot of the other spaces I would be competing with are being filled up by the (Kellogg) company," he said.

Tim Hogan, who said he owns the Heritage Tower at 25 W. Michigan Ave. through the real estate holding company Random Acquisitions, also noticed an increasing interest in his 19-story high-rise.

"I don't know if it's due to (Kellogg's move) or if it's because we are doing renovations to the building and making space available," he said.

Hogan hopes to market the commercial space for technology companies by making better use of the downtown's fiber optic loop. He also is optimistic about the city's potential.

"More people are going to want to live downtown, shop downtown and businesses are going to want to locate downtown," he said.

In with the new

Renovation already has begun in the Battle Creek Tower.

Kellogg expressed interest in leasing space in the Hinman-managed buildings in September after deciding not to construct its own new building downtown. It is continuing to lease in McCamly Plaza and 49 W. Michigan Ave. for a total of about 235,000 square feet of rented space downtown.

The company expects to begin moving its employees downtown by mid-summer and to complete consolidation by the fall. Kellogg is still mum about plans for its Porter Street complex after 600 employees leave to move downtown.

Hinman offered Fifth Third Building tenants space in other properties managed by the company. Most accepted. Of the 15 businesses in the Fifth Third Building needing to move out so that Kellogg can move in, 13 decided to transfer to the Battle Creek Tower, Atchu said.

The renovations would not have been possible without the Battle Creek City Commission's decision to extend Renaissance Zone real estate tax abatements on the Battle Creek Tower at an annual value of about \$100,000, he said.

The City Commission also established an Obsolete Property Rehabilitation Act district on the Fifth Third Building, which encourages the redevelopment of old buildings by keeping taxable values at their pre-renovation levels, Atchu said.

Construction workers now roam the Battle Creek Tower's lower floors laying carpet, wiring, painting and remodeling. On Friday, a postal worker whose route includes the tower stood in awe of the renovations.

Letter carrier Judy Chester said she has seen the building booming when Nationwide Insurance occupied the entire structure, and she's seen it bedraggled and empty. She was excited to know it would be nearly full again.

"I think we need to have all our buildings full," the Battle Creek post office worker said of the downtown.

Once Kellogg moves in, the Fifth Third Building will be 100 percent occupied and the Battle Creek Tower -- with its residents, businesses and public television provider AccessVision -- will be about 99 percent full.

"We knew the markets were going to come back someday," Atchu said. "Today is that day."

Hand It To Hinman

Realtor Michelle Johnson, who is helping several clients in the Fifth Third Building decide where to move their businesses, praised Hinman for now having two full properties downtown. She was concerned, however, that there might not be enough parking for employees.

"I know that both the towers have their own parking, but I don't know if it is going to be sufficient to hold all the new employees," she said.

Atchu said it shouldn't be a problem.

"The Michigan Avenue ramp is underutilized," he said. "Parking has never been an issue." But if a plan to transform the downtown into a vibrant commercial sector works, parking might become an issue down the road.

Developers, however, would welcome the problem of too many businesses in Battle Creek.

Charles Cherney, president and owner of the appraisal team Cherney and Associates Inc., formerly located in the Heritage Tower, credits Hinman for his commitment to downtown Battle Creek.

"They've had a lot of vacancy until now, and I give him credit for sticking with it," he said. "He deserves it."

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