

Ann Arbor's Retail Incubator

By: Jon Zemke, 2/11/2009



For Laura Arbaugh, finding the right place to open [Bella Rosie](#) was no easy task. The Ann Arbor resident knew she wanted to keep her women's fashion boutique close to home, but finding a workable downtown space at an affordable price is a tough assignment in the Ace Deuce.

Arbaugh found plenty of ramshackle fixer-uppers or ridiculously large spaces with high rents but little in between. What she wanted was something that would accommodate her small-but-quirky women's clothes store, as well as her desire to be a green independent retailer. Sounds like a perfect fit for Ann Arbor, n'est-ce pas?



Less perfect than you might think. Downtown Ann Arbor real estate is notoriously difficult to navigate for local retailers of modest means. Luckily Arbaugh found East Liberty Plaza at 255 Liberty St. She moved Bella Rosie into a 500-square-foot nook in the building's basement last May for a price that let her make her business model work. She has been working it for profits ever since.

"There weren't a lot of spaces in this price range," Arbaugh says. "We looked at a lot of places that were double the rent."

Those high rents were lethal for Bella Rosie. Like so many first-time

entrepreneurs, Arbaugh only had a small pot of start-up money and was expecting smaller profit margins while she got established. Too high overhead costs like rent would have killed her business before it had a chance to thrive. But East Liberty Plaza has a different philosophy, one that didn't suck the money out of Bella Rosie as much as it breathed life into another funky downtown business.

"It allowed us to get a start building all of our racks and what not," Arbaugh says. "Whenever you're starting a business there are so many start-up costs."

The Low Cost of Doing Business

Success has its ups and downs. A big reason downtown Ann Arbor kept chugging along while many other downtowns failed was its eclectic mix of boutique shops and eateries.

In recent years, however, the focus has been on restaurants instead of retail. Gone are the days when Harry's Army Surplus, PJ's Used Records and Fantasy Attic played a key role in defining Ann Arbor as a funky college town. While a significant number of these kinds of stores still exist, big-name chains and restaurants have pushed up rents in downtown and subsequently pushed out many creative independent retailers. Some have faded away, others have emigrated to the cheaper spaces of Ypsilanti's downtown and Depot Town.



East Liberty Plaza is a shelter in this storm. While the 23,000-square-foot building's ground floor is subdivided into the traditional storefront space at traditional downtown prices, its basement is much more affordable.

[Oxford Company](#), which manages the building, resisted the urge to turn the basement into a martini bar and instead sliced it into several small retail spaces. This arcade-like arrangement features storefronts that range from 300-1,600 square feet.



Getting

these spaces isn't especially hard either. Oxford offers a 15-month lease with the first three months free. There is also a clause that allows the business to leave no harm, no foul after two months if it isn't working out for them.

The price per square foot for these spaces equals about \$12 per square foot. Downtown Ann Arbor retail spaces usually go for about \$25 per square foot, plus operating expenses that bump that number up another \$8 or \$9.

"We think of this as offering a low-cost opportunity for retailers," says Randy Maas, director of leasing for Oxford Company.



It's Oxford's creative and flexible approach that may just inject some local independence into Ann Arbor's downtown, a downtown that some feel has become unfriendly to local entrepreneurs. By allowing start up retailers to find their niche and establish their clientele, Oxford is potentially seeding the ground for tomorrow's street level retailers. The approach is similar to [Ann Arbor SPARK's](#) efforts to transition early start ups into

thriving tech firms. And it's an approach that other retail landlords may want to take a look at in this struggling economy.

Competitive Prices Above as well as Below

This formula works for the second floor as well as the basement. [Hook](#), an

advertising animation start-up, found its home in a small slice of the East Liberty Plaza's second floor two years ago.

Aaron Schwartz and Michael Watts were fresh out of the University of Michigan when they decided to start their own company. They wanted to stay in downtown Ann Arbor, but a lot of new economy start-ups and more established firms have the same idea, making office space downtown a hot commodity.

The two friends looked at a lot of spaces. Some of them were too expensive and some were just too archaic. Then they found 600 square feet on the second floor of East Liberty Plaza.

It wasn't the cheapest of the bunch at \$22 per square foot but it was far below the \$28-\$32 per square foot average they encountered. The cheaper stuff didn't have much in the basics, like heat control, or any of the extras at East Liberty Plaza that attracted them.

"It's more of a loft-style office space," Schwartz says. "It's a very dynamic space. There isn't a drop ceiling. There is exposed brick and a skylight."

And the right spot for them to get their start. They now occupy 1,700 square feet in the building and share a floor with some of Ann Arbor's brightest start-ups, like [Ghostly International](#). And all in the spot a couple of kids from the neighborhood always wanted to be in the first place.

"We went to school here. Ann Arbor is our social hub," Schwartz says. "We're just happy to be here."



Jon Zemke is the News Editor for *Concentrate* and *Metromode*. His last story was for *Concentrate* was [Tech Transfer: Reinventing Ann Arbor's Economy](#)

Photos:

Laura Arbaugh in Bella Rosie's-Ann Arbor

Bella Rosie's-Ann Arbor

The Multi-level Development of the Retail Incubator-Ann Arbor

Randy Maas of the Oxford Company-Ann Arbor

Antelope Antiques and Coins-Ann Arbor

The Exterior of the Development-Ann Arbor

All Photos by [Dave Lewinski](#)

[Dave Lewinski is Concentrate's Managing Photographer.](#) He bought some Detroit-centric antiques at Antelope after his shoot with Randy.

