

CINCINNATI CENTER CITY DEVELOPMENT CORPORATION
PROGRESS REPORT – YEAR II
October 2005

INTRODUCTION

The Cincinnati Center City Development Corporation (3CDC) was created in July 2003 as part of an overall system to accelerate development activities in Cincinnati as recommended by an Economic Development Task Force chaired by City Manager Valerie Lemmie and Fifth Third Bank CEO George Schaefer. Charged with developing the area from the Riverfront to Uptown where the University of Cincinnati is located, 3CDC has three primary responsibilities:

- 1) Set overall strategic direction and priorities for development of The Banks, the Fountain Square District and Over-the-Rhine (OTR) through public-private collaboration with input from a broad range of stakeholders.
- 2) Work in partnership with the City, the Port Authority and private developers to facilitate economic development throughout Cincinnati's Center City.
- 3) Oversee project implementation to ensure public and private accountability for the successful completion of Center City projects.

In its second year of operation the private, non-profit development corporation has significantly strengthened its own infrastructure and passed important milestones in each of its three focus areas (The Banks, the Fountain Square District and OTR). Broadly, the organization has:

- Incorporated management of the Cincinnati Equity Fund (CEF) into its operations, streamlining administration of the Cincinnati New Markets Fund, which CEF oversees.
- Secured City Council's approval to proceed with a plan to revitalize the Fountain Square District and transform it into a regional destination featuring a world class plaza surrounded by a diverse mix of new retail, dining and entertainment options.
- Begun implementation of a comprehensive redevelopment effort in Over the Rhine, including acquisition of abandoned buildings and vacant lots around Washington Park as a first step toward residential redevelopment.
- Secured approval from State and Federal officials of a financing plan for The Banks that permits the use of parking revenue from the planned Intermodal Facility to fund completion of the surrounding road network

Specific accomplishments within each area are provided below. Taken together, these accomplishments mark important progress toward the organization's stated mission of developing Cincinnati's Center City into a regional hub of high value employment and real estate, sustained by a diverse mix of housing, culture and entertainment.

INFRASTRUCTURE

A private, non-profit corporation, 3CDC employs a small professional staff with substantial experience in planning and executing large-scale public-private real estate development projects. Its Board includes a diverse group of business, development and community leaders who bring unique expertise to the Corporation's mission.

Following the establishment of its basic structure, 3CDC sought ways to improve the overall efficiency of its operations. This step was critical given the public-private partnership model under which the organization was created. In order to be successful, 3CDC must collaborate with multiple partners on multiple projects, and assuming responsibility for the administration of CEF, which invests in downtown real estate development, makes 3CDC a more effective partner on these projects.

For example, CEF is currently managing more than \$20 million in real estate project financing in Cincinnati's Center City. Projects initiated during the past year include:

- Old McAlpins Building – \$2 million investment in the renovation of the Old McAlpins Department Store, spanning three buildings to form 64 residential condominiums, retail space and 90 parking spaces.
- 18 East 4th Street – \$600,000 investment in the restoration of the former Fourth National Bank Building into 21 loft style condominium units, commercial space and a rooftop terrace.
- OTR Holdings, Inc – Investment of more than \$8 million in the acquisition, cleaning, securing and lighting of several key properties in the OTR neighborhood which will be instrumental in the mixed income residential redevelopment planned for this area
- Fountain Square, LLC – \$4 million investment in the planned revitalization of Fountain Square, Cincinnati's most important public space.
- NE Vine/Central, LLC – \$2 million investment in a construction loan to build 26 quality condo units on the corner of Central Ave and Vine Street.
- Convention Center – Commitment of \$10 million toward the renovation of the Greater Cincinnati Convention Center.

Additionally, CEF administers the New Markets Tax Credit award of \$50 million received from the Federal Government in 2004 through the U.S. Treasury Department's Community Development Financial Institutions (CDFI) Fund. In our first deal, the Cincinnati New Markets Fund, under the auspices of CEF, has committed \$10.7 million to the redevelopment efforts within the Fountain Square District.

3CDC also joined with its development partners to successfully oppose changes contemplated for the Tax Increment Financing (TIF) enabling legislation. Had this legislation been adopted as originally

written, we would have been unable to use TIF proceeds as we had planned to help fund our work at The Banks and in OTR.

THE FOUNTAIN SQUARE DISTRICT

Fountain Square, Cincinnati's civic and retail heart, is an invaluable and underutilized asset. Long a vibrant destination that drew residents downtown to shop, eat and play, it will reclaim that stature following the planned revitalization, which City Council formally approved on June 15th. The plan envisions Fountain Square as a world class public space with unique retail, dining and entertainment options that anchors an active, bustling Fountain Square District.

Spanning several blocks around the Square, the animated Fountain Square District will include new residential developments like the McAlpin's Building and 18 E. Fourth Street, leisurely shopping at the open-air Probasco Market connecting Sixth Street to the Square and the engaging vitality of urban living. Following the City's agreement to proceed with the Fountain Square project, owners of surrounding buildings signaled their commitment to help redevelop the entire District by pledging more than \$30 million worth of private investment in their properties.

Specific steps we have taken to revitalize the Fountain Square District include the following:

1. Collaborated with public and private partners on a plan to revitalize Fountain Square; included multiple open, public input sessions in the planning process to provide ample opportunity for comments, suggestions and recommendations from City residents.
2. Engaged a team of nationally known designers to prepare the plan to transform Fountain Square's physical space.
3. Developed and implemented a financing plan that uses a \$4 million investment from the City to leverage \$38 million in private investment to fund the \$42 million project, which includes complete renovation of the garage beneath the Square.
4. Secured commitments from owners of adjacent property (Fifth Third Bank, The Westin Hotel, Carew Tower and the 525 Vine Building) to invest an additional \$30 million in their buildings, bringing total investment in the Fountain Square District to \$72 million.
5. Identified several interested local and national prospects for vacant and underutilized commercial space within the Fountain Square District
6. Hired Megen Construction, a Cincinnati-based minority-owned contractor who had previously refurbished the Tyler Davidson Fountain, as Construction Manager for this project.
7. Established a construction schedule that provides for completion of the project 12 months after breaking ground.
8. Met individually with each member of City Council to explain the project plan in detail prior to Council's formal vote in June to approve the project.

OVER-THE-RHINE

A landmark Cincinnati neighborhood, OTR borders the central business district to the north and boasts one of the country's largest concentrations of Italianate architecture. Regrettably, hundreds of these structures are now vacant or vandalized and the neighborhood itself suffers from a pronounced lack of investment and one of the City's lowest rates of homeownership. Working with public- and private-sector partners, 3CDC aims to reverse both of these barriers to growth.

Providing new housing opportunities is at the center of the revitalization plans for OTR. 3CDC, in conjunction with providers, developers, lenders and other OTR stakeholders, is working to formulate a strategy for improving and accelerating the delivery system for housing development. In formulating the Housing Strategy, we will:

- Identify the types of housing to be produced.
- Identify the developers (for profit and non-profit) and individuals who will produce housing.
- Review all existing sources of financing for housing production.
- Identify systematic and persistent financing gaps and shortfalls.
- Recommend new resources to meet these gaps.
- Recommend new lending and investment entities to be charged with providing comprehensive financing products.

We continue to build widespread support for this strategy and are continuing to work with residents and community leaders to gain their input. Our objective is to revitalize OTR as a vibrant, economically and racially diverse mixed-use community and during this past year we saw significant progress toward that goal. Specifically:

1. Phase I of the new Gateway Project on Central Parkway moved closer to completion with the opening of the garage and the continued progress on construction of the adjacent condominium units.
2. Phase II of the Gateway Project, the redevelopment of Vine Street, is also moving forward. Planned around the rehabilitation of existing structures as mixed-use projects with residential units above first floor commercial spaces, Phase II construction is set to begin soon.
3. Working with neighborhood partners ReSTOC and the OTR Housing Network, we invested millions of dollars to acquire a targeted group vacant parcels in the area north of Washington Park. (These parcels are being land-banked for future residential redevelopment.)
4. 3CDC secured, cleaned and added new lighting to acquired buildings and lots. We also secured an agreement with the Cincinnati Police Department to provide extra patrols of the area.
5. We established a gap financing plan using TIF funds to support entrepreneurs interested in acquiring and developing OTR parcels.
6. We engaged local architectural firm Glaserworks to design Music Hall Square, a mixed-use project

adjacent to Music Hall that includes a 750 space public parking facility, up to 5000 square feet of lobby/retail space, a public plaza and potentially 5000 square feet of office space for the Cincinnati Symphony Orchestra.

7. 3CDC continued working with neighborhood stakeholders to find alternate space for 18 units of transitional housing operated by the Drop Inn Center. (CPS needs to acquire four buildings housing these units in order to complete the parcel planned as the site of the new SCPA school.)
8. Collaborating with neighborhood partners, we created an advisory committee of community stakeholders to inform planning for the Washington Park area; Led by Joe Pichler, 3CDC continues to meet monthly with the committee, known as the Washington Park Community Partners.
9. 3CDC worked with Washington Park Community Partners to plan summer activities in the Park, including musical performances by the Opera.

THE BANKS

3CDC remains committed to the objective of transforming the Banks into a spectacular mixed-use riverfront development. To date, our role in this project has been to serve as development advisor to the City and the Port Authority rather than in the capacity of developer as we do in our work on Fountain Square and in OTR. In our advisory role we gained a sound working knowledge of the legal and financial agreements presently governing the Banks which enabled us to devise a financing plan that is prudent, compliments the efforts of the County and private developers and enables the project to proceed.

Cincinnati's riverfront has been challenged by both fiscal and physical constraints that have left the site in its current unfinished state. These infrastructure issues are technical, complicated and difficult to summarize. Our objective has always been to recommend a development plan that addresses these constraints and allows for the highest and best use of this unique property while protecting local tax revenues.

Our primary objective has been to work with the involved public and private parties to implement this financing plan, which is based on three critical elements:

- 1) **Leveraging public (mostly federal) and private funds to maximize the site's value and support near term infrastructure development costs.** This is a similar approach used in the Fountain Square financing plan that maximizes the overall investment available to the project while protecting the local tax revenues.
- 2) **Utilizing existing and consistent income streams to support a structured debt financing.** By decreasing the risk associated with the debt structure more capital is raised at lower rates with no risk to the public by issuing non-recourse debt as in the case of the Fountain Square financing.
- 3) **Minimizing the use of speculative revenues to support debt that ultimately increases risk to taxpayers and public entities in the future.** Current riverfront borrowings for both the stadium improvements and the existing parking system have layered debt upon debt, creating future

shortfalls in income available to both service current debt and invest in the necessary infrastructure improvements to complete the Banks development.

Overall, we recommend leveraging federal funds and private investment to complete the necessary infrastructure. Based on our work to date, we recommend proceeding to implement the Banks development plan on the following basis:

- Integrate the proposed developer's plans and \$10 million investment with the public infrastructure financing plan set forth to minimize local public financial exposure. This plan also minimizes the investment necessary to complete the remaining parking infrastructure between the Bengals stadium and the Freedom Center.
- Complete the necessary riverfront street grid, which also begins to frame the new riverfront park, finishing the Banks utility network.
- Build a 1,000 car intermodal parking facility that is highly functional, cost effective and addresses the Teams' needs for event parking. An analysis as to whether this is best achieved through an above or below grade facility is strongly recommended.
- Utilize \$24.9 million in Federal funds to build the Phase I parking facility as previously recommended to and approved by ODOT and FWHA.
- Leverage anticipated Phase I parking revenue to fund the remaining costs such as the roads and project related soft costs.
- Issue \$13.6 million in tax exempt, non-recourse debt supported by Phase I parking revenue to cover these additional costs.
- Proceed with the additional development infrastructure (between the Bengals stadium and Freedom Center) utilizing the minimal amount possible of Phase I TIF revenue, for improvements that could include additional parking and riverfront park construction. Initial estimates for Blocks 4 & 8 development values are projected to support \$25 to \$30 million in potential debt.