

NMTCs Bring Housing, Retail to Cleveland's University Circle

By Jennifer Hill, Staff Writer, Novogradac & Company LLP

As its name suggests, Cleveland, Ohio's University Circle is home to a number of the city's renowned educational and cultural institutions. Case Western Reserve University (CWRU), the Cleveland Museum of Art and the Cleveland Clinic are among the nearly 50 establishments in the 1-square-mile neighborhood, which attracts around 2.5 million visitors a year. Additionally, the concentration of dozens of major employers brings approximately 45,000 jobs a year to the district. Despite all the activity centered in University Circle, until recently the area lacked amenities like shopping, dining, and even housing. Uptown, the first mixed-use development to fill that void, catalyzed a longstanding effort to transform the institutional hub into a livable, pedestrian-friendly village.

Envisioning an Urban Village

"There's higher education, health care and cultural institutions, but there was no real neighborhood; no place to shop, to dine or to live. So that became the focus of Uptown," said Ari Maron, partner at MRN Ltd. The local developer used \$16.25 million in new markets tax credit (NMTC) allocation to redevelop an underutilized 4.65-acre site along Euclid Avenue, the dividing line between two highly distressed census tracts. In addition to improving housing options for people who work in University Circle, creating jobs for residents of these low-income communities was an integral part of the Uptown development. The last major piece of the puzzle was transit – ensuring that all who shop, work or live in University Circle have easy access to bus rapid transit and, soon, light rail.

MRN Ltd. and its development partners selected ground floor retail tenants that would fit its plan for a walkable urban paradise. Traditional "sin" businesses are prohibited, and the developers also excluded any uses that could negatively affect Uptown's sidewalk appeal, such as funeral parlors, auto repair shops and offices. The first phase brought 56,000 square feet of local businesses, such as Cleveland's Constantino's Market, and household name retailers, including Chipotle, Jimmy John's, Panera and Barnes & Noble, which is now CWRU's bookstore, to University Circle. The first phase's two buildings, one on each side of Euclid Avenue, also feature 114 mixed-income rental apartments, with 20 percent of those designated as affordable.

"For a long time, folks were focused on institutional expansion, but now they've realized that creating the kind of place where young people and empty-nesters feel excited about living and are excited to dine and shop is what makes cities vibrant and dynamic," Maron said. Many have credited Uptown with helping to attract the largest freshman class in CWRU's history this year. "One of the things students have always said is that there was no retail to speak of," said Mark McDermott, vice president and Ohio market leader at Enterprise Community Partners. "There were restaurants and bars, but no places to shop."

"Without quality housing as well as access to goods and services, people will choose to commute to work from the surrounding suburbs. Potential students will choose other universities that offer amenities that attract them," said Steve Luca, managing vice president of Cleveland Development Advisors (CDA).

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Photo: Courtesy of Markus Bischoff
Uptown opened in Cleveland's University Circle earlier this year, bringing much-needed retail and jobs to the institutional hub.

NMTCs Address Unmet Needs

Recognizing the University Circle area's great need for the essential goods and services that Uptown would deliver, Cleveland's civic and business leaders lent their support to the project. If not for this overwhelming community support, Uptown might have shared the fate of so many developments in Cleveland and around the country that were thwarted by the recession. Although the financial markets' collapse delayed the project by a few years, MRN Ltd. was able to round out Uptown's financing with additional NMTC allocation.

"During that time a lot of major projects in and around Cleveland were either put on hold or didn't move forward at all because of what was going on in the economy," said Ryan Olman, vice president and senior relationship manager at Key Community Development Corporation (KCDC). KCDC served as the sole NMTC equity investor and its affiliate, Key Community Development New Markets, provided a \$9 million NMTC-enhanced loan for Uptown. "The way it was able to attract more allocation is a testament to how attractive the project was," Olman added.

"Uptown was one of the largest and more complicated transactions we've done in the new markets realm," said Kevin Nowak, also a vice president and senior relationship manager at KCDC. "It's the type of catalytic project that we work to identify and participate in."

A collaboration of local foundations, banks, community development entities (CDEs) and municipal sources helped finance the approximately \$44.1 million development, which has

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Novogradac Journal of Tax Credits Information

Correspondence and editorial submissions:
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Photo: Courtesy of Markus Bischoff

Uptown is a mixed-use development that combines retail, dining and housing. Twenty percent of Uptown's 114 apartments are reserved for households earning up to 80 percent of the area median income.

only \$17.4 million in conventional debt. Enterprise Community Investment provided a \$10 million NMTC allocation and CDA affiliate Cleveland New Markets Investment Fund II contributed \$6.25 million in allocation. Leverage debt came from Village Capital Corporation through program-related investments and grants from the Cleveland and Gund Foundations and the city of Cleveland. Uptown also received loans from First Merit Bank, Cleveland Development Partnership Fund and the city of Cleveland.

Targeted Investments Magnify Local Benefits

Uptown's financing partners expect the high concentration of investments in University Circle—in Uptown and in nearby improvement projects—to produce major economic benefits in the area. Enterprise, which uses its NMTC allocation to complement its affordable housing development work, has targeted several lower-income neighborhoods adjoining University Circle for redevelopment.

"We really viewed the Uptown project and the redevelopment of University Circle as a nexus in the middle of those neighborhoods," McDermott said. "This project not only strengthens that neighborhood center, but also provides jobs that can be filled by low- to moderate-income people in those neighborhoods." At the time of this writing, Uptown was expected to create 200 construction jobs and 222 full-time equivalent positions after all of its retail tenants have moved in.

"It's a ladder for people in the housing we have to pick themselves up and move forward," said Al Shehadi, director, originations, at Enterprise Community Investment. He noted that MRN Ltd. is working with the Cleveland Workforce Development Office to target hiring and job training opportunities to local and low-income residents.

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In the three months since Uptown opened to residents and retail tenants, its housing units are 70 percent leased and the commercial space is fully leased. Building on phase one's success, two additional development phases are planned for a \$300 million investment.

"Uptown turned this neighborhood from just an institutional hub into another downtown with quality, mixed-income housing," said Shehadi. "People can walk to work at the institutions, go shopping at lunchtime and generate economic opportunity that stays in the city of Cleveland." ❖

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