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Revived Historic Structures Anchor Downtown Cleveland

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During the past 20 years, a major corridor in downtown Cleveland has been overrun with blight. At the heart of this corridor on the corner of Euclid Avenue and East Ninth Street sat three vacant buildings: the historic Cleveland Trust Rotunda, a historic bank originally built in 1906; the 1970s-era Ameritrust Tower; and the Swetland Building, an office building originally built in 1911 now called the 1010 Building. To rejuvenate downtown Cleveland, the Geis Companies purchased the three buildings and transformed them into The 9 Cleveland, a mixed-use, mixed-income development that features affordable housing, market-rate apartments, a hotel, a grocery store, office space, a large parking garage and food, retail and entertainment businesses. The development opened Sept. 5.

"[The area] was a black eye for the city of Cleveland. Now it is a vibrant business and entertainment center with a live-work environment that all Clevelanders can be proud of and build on," said Kevin Brokaw, director of development at Geis Companies.

This development is part of a much larger local initiative known as the NineTwelve District, a public-private partnership with the goal of bring businesses and residents back to Cleveland's former financial district. Beginning in the 1990s and continuing through 2010, the city's financial district began losing major financial institutions, corporate headquarters and other professional firms, said Steve Luca, managing vice president at Cleveland

Development Advisors, which provided a new markets tax credit (NMTC) allocation to The 9 Cleveland development. Luca said office tenants left behind nearly 2 million square feet of obsolete space scattered among 14 buildings. Luca and other development partners said that The 9 Cleveland is serving as a catalyst in revitalizing the area that surrounds the development.

During construction, more than 800,000 square feet of real estate was rehabilitated. The first two floors of the Cleveland Trust Rotunda and the first floor of the 1010 Building were converted to a Heinen's grocery store and marketplace. Brokaw said it was important to add a grocery store to the downtown area because its population grew rapidly in recent years to more than 12,000 residents and an infrastructure is needed to support downtown Cleveland's population growth.

In addition to hosting the grocery store, the 1010 Building features 40 affordable housing units reserved for residents earning 80 percent or less of the area median income. The 1010 Building also features office space and the Azure Sky, which Brokaw reports is downtown's largest rooftop bar and sun deck.

In addition, a Marriott Autograph hotel, which consists of 156 hotel rooms and suites, was built on the first 13 floors of the former Ameritrust Tower is the Metropolitan Hotel. Also, the lobby of the hotel was turned into the Adegá Mediterranean restaurant, which Brokaw says features

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downtown’s largest outdoor dining area. The second floor of the former Ameritrust Tower was turned into the Alex Theater, which features live entertainment and film screenings. The hotel portion of the former Ameritrust Tower features 12,000 square feet of meeting and event space. Floors 14 through 29 of the former Ameritrust Tower were renovated into 104 apartments. Residents have access to the hotel’s full-service amenities.

By creating a vibrant mixed-use space in downtown Cleveland, Brokaw said that the development had a large economic impact on the area. During the rehabilitation, more than 1,000 construction jobs were created. With the development fully renovated, it also created more than 350 full-time, permanent jobs. Brokaw said that The 9 Cleveland’s location adjacent to the Playhouse Square, Cleveland’s performing arts center; Quicken Loans Arena, home of the Cleveland Cavaliers NBA team; and other downtown attractions make it attractive to tourists and locals.

Financing the Development

While The 9 Cleveland was technically one development, it was financed as three separate investments.

1010 Building and Historic Cleveland Trust Rotunda

The first investment includes the 1010 Building and the historic Cleveland Trust Rotunda. Rehabilitation of these two buildings totaled \$56.4 million. U.S. Bancorp Community Development Corporation (USB CDC) provided a \$9.2 million federal historic tax credit (HTC) equity investment and an \$8.2 million federal new markets tax credit (NMTC) equity investment to this transaction. “There is a lot of redevelopment going in this area of downtown. A development of this magnitude will act as an anchor for the entire area,” said Steve Kramer, vice president at USB CDC. Kramer said the size and complexity of the investment, which used federal NMTC and federal and state HTCs, made closing the transaction difficult.

There were three community development entities that provided NMTC allocations to the 1010 Building and historic Cleveland Trust Rotunda portion of the investment. Consortium America LLC provided an \$11.5 million NMTC allocation. Adam Weers, authorized representative of Consortium America CDE, said, “As a community development entity, Consortium America’s involvement in the financing of The 9 is primarily based on its community impact. We believe the rehabilitation of this historic property is going to be an amazing catalyst

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Photo: Courtesy of Geis Companies

The 9 Cleveland is a mixed-use, mixed-income development that features affordable housing, market-rate apartments, a hotel, a grocery store, office space, a large parking garage and food, retail and entertainment businesses.





Photo: Courtesy of Geis Companies

Development of the 9 Cleveland was financed with federal NMTCs and federal and state HTCs.

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for real estate development and economic growth in downtown Cleveland.”

Cleveland Development Advisors also provided a \$7 million federal NMTC allocation from its Cleveland New Markets Investment Fund II. “Over the last 15 years, collaborative local efforts to attract residents to our downtown neighborhoods have led to a great demand for housing, employers and amenities,” said Luca. “We consider this investment in The 9 as a vital step in Cleveland’s efforts to establish a sustainable downtown neighborhood. Repurposing the historic Rotunda into a public amenity as a full-scale grocery galvanizes Cleveland’s efforts.”

The Ohio Community Development Finance Fund provided \$7 million federal NMTC allocation for the 1010 Building and historic Cleveland Trust Rotunda portion of the transaction. Diana Turoff, executive vice president and chief financial officer of the Ohio Community Development Finance Fund, said, “The project aligned with one of our focus areas, which is access to healthy foods.” Turoff said that downtown Cleveland was in dire need of a grocery store. Downtown Cleveland has been designated as a “food desert” by the U.S. Department of Agriculture.

The Foss Ohio 2014 Fund, sponsored by Foss & Company, provided a roughly \$7.5 million state HTC equity investment for this segment of the investment; and a total state HTC equity investment of \$23.25 million for the entire development. To round out the rest of the funding for the 1010 Building and historic Cleveland Trust Rotunda section of the development, First National Bank provided a \$13.3 million construction loan and various sponsors provided \$31 million in loans and equity, which included a \$6 million permanent loan from the U.S. Department of Housing and Urban Development (HUD) and \$9.3 million loan from First National Bank to bridge a portion of the state and federal HTCs.

Ameritrust Tower, Floors 1-13

The second investment covers the first 13 floors of the former Ameritrust Tower. Rehabilitation of this portion of the development cost \$59.2 million. This portion included a \$10.2 million federal HTC equity investment from USBCDC; a roughly \$8.6 million state HTC equity investment from The Foss Ohio 2014 Fund, sponsored by Foss & Company; and \$15.8 million bridge loan from Huntington National Bank.

Ryan Terrano, senior vice president of Huntington National Bank’s commercial real estate group, said that this part of the development was attractive for three reasons. First, it

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Photo: Courtesy of Geis Companies

During construction, more than 800,000 square feet of real estate was rehabilitated.

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provides much-needed affordable housing. Terrano said that most downtown Cleveland rental developments are at around 98 percent occupancy. Second, he said that the project received great support from the Cuyahoga County and the city of Cleveland. And third, this segment of the investment was attractive because of Huntington's longstanding relationship with the Geis Company. The Huntington National Bank was the lead lender for this portion of the development. Huntington National Bank provided \$100 million in combined construction and bridge loans.

"I can't overstate the impact this will have on the city of Cleveland," said Eric Brubaker, director of acquisitions at Foss & Company. "This was an underdeveloped, deteriorating part of Cleveland ... This development is literally a rebirth of the area."

In addition, Cleveland-Cuyahoga County Port Authority issued \$23 million in First Mortgage Revenue Bonds. An additional \$27.6 million in loans and equity were provided by various sponsors and Cleveland Development Advisors provided a \$6 million bridge loan for the first 13 floors of the former Ameritrust Tower.

Ameritrust Tower, Floors 14-29

The third portion of the development included floors 14 through 29 of the former Ameritrust Tower. Rehabilitation for this portion of the development cost

\$43.2 million. It included an \$8.4 million federal HTC equity investment from USB CDC, a roughly \$7.1 million state HTC investment from The Foss Ohio 2014 Fund, sponsored by Foss & Company, a \$13 million bridge loan from Huntington National Bank and \$18.75 million in First Mortgage Revenue Bonds issued by Cleveland-Cuyahoga County Port Authority. Various sponsors provided \$17.3 million in equity and loans.

Collectively, the three project components represented a \$24 million equity investment by the Geis Companies. A portion of this equity went to the parking garage, which was conventionally financed. "This is certainly the Geis' largest individual investment in the city, but more importantly is a demonstration of the Geis Companies continued commitment, contribution and belief in the Cleveland renaissance," said Brokaw. Over the past five years, the Geis Companies has completed more than \$325 million of development in Cleveland.

Jack Waldeck, partner at Walter|Haverfield LLP, helped Geis acquire the buildings, set up the financial stack and issue the tax opinion. "Cleveland is on an upswing because of this project," said Waldeck. He said the development came with its fair share of challenges, including twinning the NMTCs with the federal and state HTCs. "But none of this would have happened without the tax credits," Waldeck said.

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Annette Stevenson, partner at Novogradac & Company LLP, worked closely with the Geis team and Walter Haverfield in structuring the overall tax credit financing. “Over the past several years, numerous developers attempted to undertake the development of the buildings now known as The 9, but were never able to make the numbers work. Each and every component of the capital stack was a critical piece in making this transformation a reality,” said Stevenson.

Historic Renovations

The redevelopment of this section of downtown Cleveland has been a focus for the city for a number of years, said Nathaniel Kaelin, Ohio historic preservation tax credit program manager at Ohio Development Services Agency (ODSA). The agency provided a \$23 million state HTC allocation to the Cleveland Trust Rotunda and an \$8 million state HTC allocation to the 1010 Building. The development received its state HTC allocation in the first round of Ohio’s state HTC program when it was purchased by a previous owner. Kaelin said that receiving credits under Round 1 of the program was a huge benefit because at that time the program didn’t have an individual development cap. Now, individual developments can receive no more than a \$5 million state HTC allocation.

While each of these three buildings was built in distinctly different styles, they all utilized HTCs. For the former

Ameritrust Tower to receive federal and state HTCs, the granite curtain wall system that made up the historic storefront to the tower was preserved. The system’s stone pieces weighed more than 25,000 pounds. The storefront and other granite work on the inside and outside of the tower were all preserved and cleaned, said Brandon Kline, senior designer at GLSD Architects LLC, a division of Geis Companies. In addition, the tower’s more than 1,300 windows, which have rounded corners, were preserved. “It was because of the quantity and this detail that we designed an intricate prefab wood casing to accentuate this beautiful detail,” said Kline.

On the Cleveland Trust Rotunda, the fresco paintings that surround the glass structure were preserved. In addition, four beautifully crafted bank vaults were maintained, said Kline. On the 1010 Building, the former terra cotta storefront was reinstated and the entire parapet of the building was rebuilt to match the original ornate design, said Kline. ❖

THE 9 CLEVELAND FINANCING

The 1010 Building and Cleveland Trust Rotunda Investment

- \$31 million in loans and equity from various sponsors, including
 - \$6 million permanent loan from the U.S. Department of Housing and Urban Development (HUD) and
 - \$9.3 million loan from First National Bank to bridge a portion of the state historic tax credits (HTCs) and U.S. Bancorp Community Development Corporation’s (USB CDC’s) federal HTCs
- \$23 million state HTC allocation to the Cleveland Trust Rotunda from the Ohio Development Services Agency
- \$13.3 million construction loan from First National Bank
- \$11.5 million new markets tax credit (NMTC) allocation from Consortium America LLC
- \$9.2 million federal HTC equity investment from USB CDC
- \$8.2 million federal new NMTC equity investment from USB CDC
- \$8 million state HTC allocation to the 1010 Building from the Ohio Development Services Agency
- \$7.5 million state HTC equity investment from The Foss Ohio 2014 Fund, sponsored by Foss & Company
- \$7 million federal NMTC allocation from Cleveland Development Advisors
- \$7 million federal NMTC allocation from the Ohio Community Development Finance Fund
- \$4.3 million of owner equity

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Ameritrust Tower, floors 1 through 13

- \$27.6 million in loans and equity from various sponsors
- \$23 million in First Mortgage Revenue Bonds issued by Cleveland-Cuyahoga County Port Authority
- \$15.8 million bridge loan from Huntington National Bank.
- \$11.5 million of owner equity
- \$10.2 million federal HTC equity investment from USBCDC
- \$8.6 million state HTC equity investment from The Foss Ohio 2014 Fund, sponsored by Foss & Company
- \$6 million bridge loan from Cleveland Development Advisors

Ameritrust Tower, floors 14 through 29

- \$18.75 million in First Mortgage Revenue Bonds issued by Cleveland-Cuyahoga County Port Authority
- \$17.3 million in equity and loans was provided from various sponsors
- \$13 million bridge loan from Huntington National Bank and
- \$8.4 million federal HTC equity investment from USBCDC
- \$7.1 million state HTC investment from The Foss Ohio 2014 Fund, sponsored by Foss & Company
- \$5.4 million of owner equity

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