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‘Place-Making,’ Mixed-Use Development Revitalizes Cleveland Community

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Cleveland’s Ohio City neighborhood is a diverse and vibrant community that experienced a steady increase in investment activity in recent years.

The neighborhood’s proximity to the downtown business district and its location near major public transportation routes make it an attractive place to live. As rents continue to rise in the area, a new multiphase, mixed-use development is being built at the intersection of West 25th Street and Detroit Avenue to ensure that the neighborhood continues to serve community needs and remains accessible to all.

Ohio-based real estate developer Snavely Group is spearheading the transformation of the Ohio City intersection with its multiphase development including market-rate and affordable housing, a grocery store, an educational facility, co-working office space, a restaurant and other retail space. It is financed in parts by equity from 9 percent low-income housing tax credits (LIHTCs), federal and state new markets tax credits (NMTCs), federal and

state historic tax credits (HTCs), renewable energy tax credits (RETCs) and opportunity zones (OZ) investments.

“This project is a place-making project,” said Peter Snavely Jr., vice president of development for the Snavely Group. “It’s a mixed-use, mixed-income, socially-driven project.”

Phase 1

The master plan comprises three phases. The first phase included renovating the ground floors of two iconic buildings on the south side of Detroit Avenue. The historic Forest City Savings and Trust Building’s ground floor was transformed into Ohio City Galley, a food hall and restaurant accelerator that mitigates the risk and reduces the cost for aspiring restaurateurs to bring their business concepts to market. The space includes four kitchens

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and more than 200 seats for patrons. The Seymour Building, immediately to the west, was redeveloped into The Beauty Shoppe co-working office space and Foyer café. The flexible workspace provides three tiers of membership from flex space to dedicated desks and even small offices for individuals and small teams.

Phase 1 also entailed constructing a building across the street with 194 market-rate apartments, known as The Quarter, and with 30,000 square feet of commercial space on the ground floor for the Music Settlement early education and music school, APG Office Furnishings, D.O. Summers dry cleaners, as well as The Grocery OHC, a local grocery offering healthy, locally sourced food in a former food desert.

The community-centric approach to the development was attractive to the project's financing partners.

Image: Courtesy of David Joseph Photography
Redevelopment of the historic Forest City Savings and Trust Building (left) and new construction of The Quarter (right) are part of a multi-phase, mixed-use revitalization of Cleveland's Ohio City neighborhood.

“The Snavely Group deliberately set its sights on achieving these goals, working with [Cleveland Development Advisors (CDA)] and the other

sources of financing to drive the community outcomes—recognizing not only the demand for such product, but also the value in creating a truly mixed-income neighborhood. This is the first project CDA tapped three separate funds for, and it is a testament to their commitment to building communities, not structures,” said Steve Luca, managing vice president for CDA, one of three community development entities (CDEs) that provided NMTC allocation to the West 25th and Detroit project. CDA contributed a \$2.5 million subordinate loan to the residential tower and \$10 million in federal NMTC allocation, totaling \$9.5 million in qualified low-income community investment. CDA's community development financial institution fund Cleveland Development Advisors Community Reinvestment Fund provided tenant improvement loans of \$200,000 for the Beauty Shoppe and \$500,000 for the Ohio City Galley.

“We were attracted by how the Snavely Group ensured that each component of the project complemented each other and addressed a specific community need,” said Andrew Swary, executive vice president and general counsel for Finance Fund, which provided an aggregate \$6 million of federal NMTC allocation and nearly \$2.6

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million in state NMTC allocation. “The development team was very thoughtful about providing workforce and affordable housing, early childhood education, healthy foods, retail and entrepreneurial space in this distressed but transitioning neighborhood, which has been lacking in those services.”

Capital One Community Renewal Fund (Capital One) was another CDE on the project and provided \$3 million in federal NMTC allocation. Capital One also contributed \$7.3 million of federal and state NMTC equity. “The project combined to deliver substantial quality job creation opportunities for the severely distressed community through both the construction cycle and its permanent phase,” said Bert Holland, senior vice president of tax credit finance for Capital One. “The project had strong local support from the city and county, which further emphasized its importance to the local community.”

At the local level, the city of Cleveland provided a 100 percent residential tax abatement for 15 years and tax-increment financing for the non-school portions of the project. “The city was very interested due to Mr. Snavely’s passion to see the project through and incorporate housing units for lower-income residents,” said Tracey Nichols, director of financial services for Project Management Consultants. “In addition, Snavely embraced the city’s commitment to using 30 percent of subcontractors who were certified minority, female business and small businesses and agreed to contractors hiring at least 20 percent Cleveland residents. The location was critical to continuing development on the near west side of Cleveland. The city could not ask for a better partner to provide a project that would provide needed market-rate and below-market-rate apartments, as well as new businesses. ... Overall, Snavely has really become a vital part of Cleveland development.”

Phase 1 also benefited from two commercial loans facilitated by Enterprise Community Loan Fund

(ECLF) with First National Bank of Pennsylvania, Village Capital Corporation and Finance Fund as participant lenders: a leveraged loan of more than \$7.5 million and a direct loan of about \$688,000. In addition, ECLF provided a \$1.1 million acquisition loan on the affordable housing portion of the transaction, which was repaid at equity closing.

Novogradac’s Cleveland office provided NMTC consulting, transaction structuring and financial forecast for the Phase 1 commercial and Music Settlement portions, which are two separate NMTC structures closed together. Novogradac also provided audit and tax work for the commercial tenants of Phase 1 and other related entities, as well as financial forecast and tax preparation services for the commercial investors and the owner of The Quarter. “This mixed-used, mixed-income development illustrates why tax incentives and financing tools are so crucial to helping drive thoughtful capital into growing neighborhoods,” said Annette Stevenson, a partner in Novogradac’s Cleveland office. “The dozens of public and private partners who worked on this redevelopment show that it truly takes a village to transform a community.”

“It was very exciting to be involved with a development in Cleveland’s Ohio City neighborhood that provides mixed-income housing options in a historic property, meeting the diverse needs of the neighborhood,” said John DeJovine, a manager in Novogradac’s Cleveland office. “These investments are great for the continued rejuvenation of Cleveland and its surrounding neighborhoods.”

Phase 1 was completed in June 2018.

Phase 2

Phase 2 of the development entails the adaptive reuse of the Forest City Savings and Trust Building’s upper floors into affordable housing. The affordable housing property will offer 38 LIHTC apartments, including

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18 one-bedroom, 14 two-bedroom and six efficiency apartments.

Amenities will include on-site gated parking, an elevator, a gym, a business center, gardening boxes, a playground and a rooftop patio. Residents will have access to five local social service agencies for workforce development, financial literacy, child care and health and wellness programs. Across the street, Snavelly plans to build a 23-acre public park.

Forest City Square Apartments was designed using Enterprise Green Communities criteria and will offer LED lighting, Energy Star appliances, as well as a rooftop and canopy solar installation that will offset 75 percent of the property's energy use annually.

Project partners saw affordable housing as a way to give families an option to stay in the Ohio City neighborhood, rather than being forced by rising market rents to move to other areas. Forest City Square Apartments will be available to households earning 30 to 60 percent of the area median income (AMI). "We chose to do affordable housing ... it makes sense to build strong and balanced communities," said Snavelly.

A blend of multiple tax credit programs helped make Forest City Square Apartments a reality. Enterprise Housing Credit Investments syndicated nearly \$11.4 million in equity for Phase 2, including about \$9.4 million in federal LIHTC equity, \$1.9 million in federal HTC equity and \$138,000 in federal solar credit equity. "Enterprise has a long commitment to Cleveland's neighborhoods and to investing in affordable housing projects that advance complementary community development objectives," said Sean O'Hagan, senior underwriter at Enterprise. "This is creating affordable, well-designed homes in a desirable location within a neighborhood that has seen, and will continue to see, dramatically increasing rents. This is an important part

of making sure everyone benefits from opportunities in the neighborhood."

Foss provided \$1.5 million in state HTC equity. "It's an unbelievably complicated project and it really took a great team effort from the developer and various funding and investment sources," said Jonathan Levine, Foss' real estate investment manager. "The fact that it went off without a hitch is really impressive."

KeyBank Community Development Lending and Investment (CDLI) provided a \$9.9 million construction loan and a \$1.5 million HTC bridge loan. CDLI also provided a \$700,000 permanent loan in effect for the property's 15-year LIHTC compliance period. Kyle Kolesar, senior vice president of KeyBank CDLI, said that the property's proximity to KeyBank's headquarters made it an especially meaningful project. "It was a community development opportunity that was really important for us to be involved in," said Kolesar. "It fits into what KeyBank tries to do nationwide and the fact that it's in our own backyard less than a mile from our corporate headquarters is something we're proud of."

Novogradac provided transaction structuring and consulting on the LIHTC, federal and state HTC and RETC. "Novogradac's Cleveland office is proud to play a role in this transformation of Ohio City, which is such a historic and iconic part of our city's heritage," said Renee Beaver, a partner in Novogradac's Cleveland office. "Just as importantly, the tax incentives that make this multiphase development possible help ensure that the neighborhood is affordable and accessible to people from a range of incomes."

Phase 2 is expected to be completed in October.

Phase 3

Next to the Forest City Square Apartments will be Phase 3 of the development, which will pair the

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adaptive reuse of an existing building with an adjacent new-construction, five-story apartment building. The 88 apartments will be available to residents earning up to 80 percent of the AMI.

Phase 3 will be financed with OZ investments, debt, equity and some city funds.

Construction will start this summer and is scheduled for completion within 12 months.

Neighborhood Impact

Snively sees West 25th and Detroit not as a distinct new community, but as an enhancement and build-out of an already-defined neighborhood. His vision is to

integrate these new investments into the fabric of the neighborhood so that the entire community can benefit from them. “The way we did it was to look at the needs of the community around us and what they wanted in it,” said Snively. “We married social missions with tax credit programs.”

Whether it’s by providing affordable housing to young families, giving aspiring restaurateurs a critical steppingstone or giving children from all economic backgrounds a chance at quality education, West 25th and Detroit offers something for everyone. ❖

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