

Downtown Redevelopment in Ohio – Three Perspectives

MODERATOR – HARRY EADON

The Three Perspectives:

- Legislative – David Robinson
- Consultative – Hrishue Mahalaha
- Investor – Mike Rose

Retail Timeline

- Downtown Shopping Areas
- 1950 – 60 Shopping Malls
- 1970 – 80 Big Box Retail
- 1990's ...

The On-Line (R)Evolution...

- 1995 – Amazon sells it's first book
- 1996 – More than 10 million hosts on Internet
- 2000 – US retail sales are \$800 billion, estimated revenue from US online shopping is \$25 to \$30 billion
- 2003 - Weekly online retail sales reaches a record setting \$2 billion, growing more than 25% from 2002.
- 2017 - 51% of Americans prefer to shop online, 96% of Americans with internet access have made an online purchase in their life

But ...

- Main Street Shopping is beginning to make a comeback:
 - Many consumers are tiring of the Mall Culture
 - On-Line Sales lack Personality
 - Resurgence of Family Owned, Boutique Retail



Downtown Redevelopment

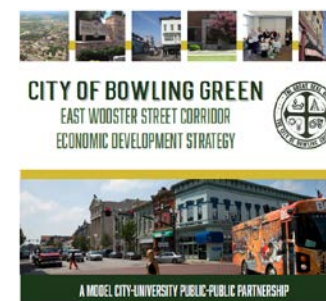
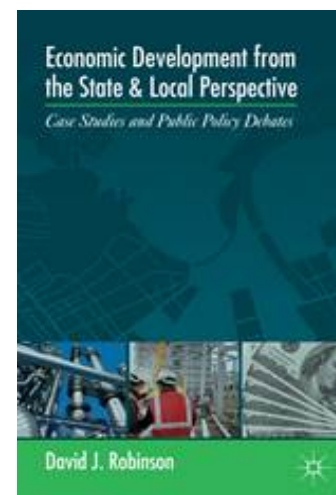
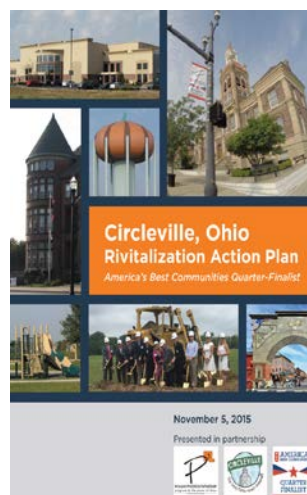
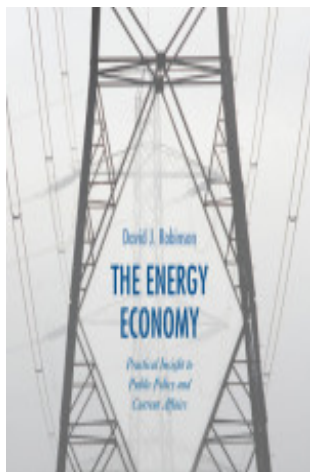
DAVID J. ROBINSON, THE MONTROSE GROUP, LLC



The Montrose Group, LLC

Downtown Redevelopment

The Montrose Group, LLC



COLUMBUS 2020

 The Montrose Group, LLC





Downtown Redevelopment

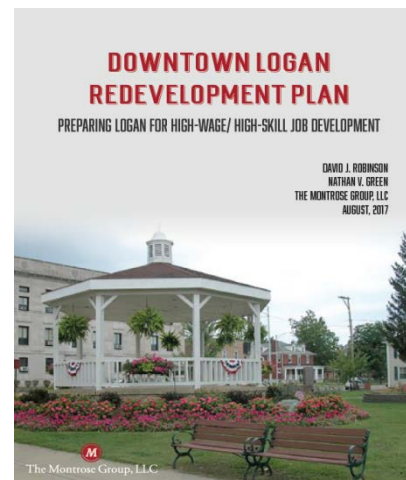
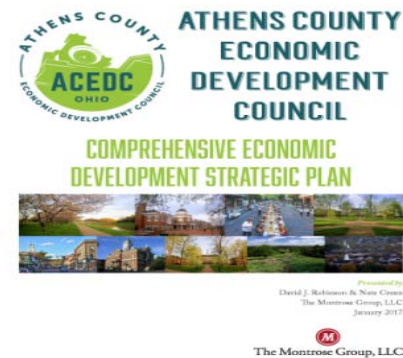




Downtown Redevelopment

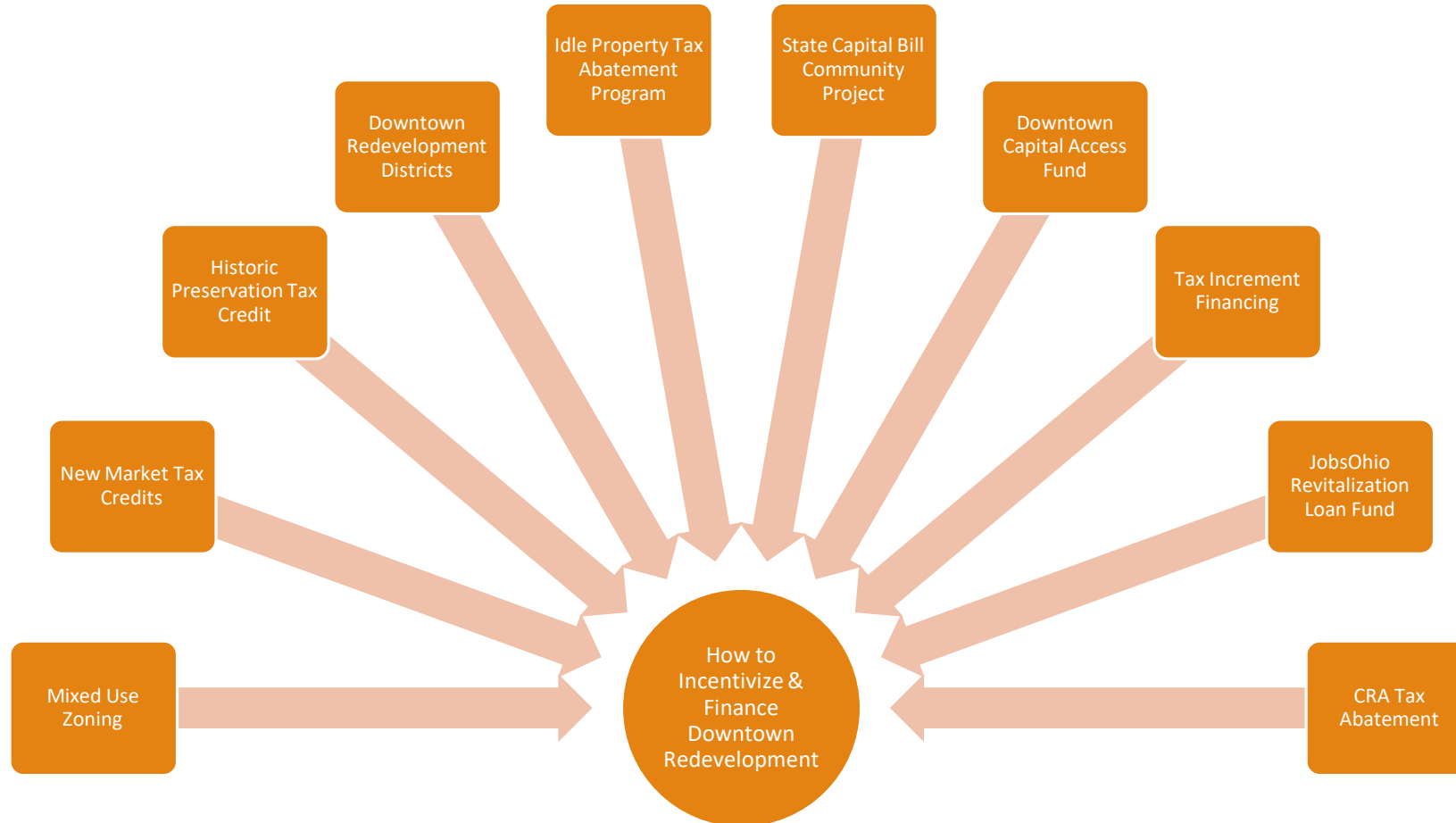
Economic Development Plan

- Walkable
- Infrastructure
 - Parking
 - Streetscape
- Mixed Use
 - Historic Preservation
 - Housing & Office
 - Arts & Entertainment
 - Urban Overlay
- Public Safety





Downtown Redevelopment





Downtown Redevelopment

New Market Tax Credit Basics

- 39% Federal Tax Credit Over 7 Years
- \$1M Ohio Tax Credit Paired with Federal Credit
- Real Estate Investments in Poor Communities
- Complex Transactions
- Retail, Office & Manufacturing Eligible





Downtown Redevelopment

Historic Preservation Redevelopment

Historic Preservation
Certification or
Identification

Historic Preservation
Tax Credits

DRD and Innovation
District Economic
Development Plan



Downtown Redevelopment

Historic Preservation Tax Credit Basics

- 20% Credit for Certified Rehab of Certified Historic Structures
- 10% Credit for Rehab of Non-historic, Non-Residential Buildings Built Before 1936
- 25% Ohio Historic Preservation State Tax Credit
- Structure not a Bridge, Ship, Railroad Car or Dam
- Available for Reuse for non-home Residential, Commercial, Industrial or Agricultural
- Profit Producing Property, Substantial Rehab & 5 Year Ownership (federal credit only)





Downtown Redevelopment

Ohio Downtown Redevelopment District Program Basics

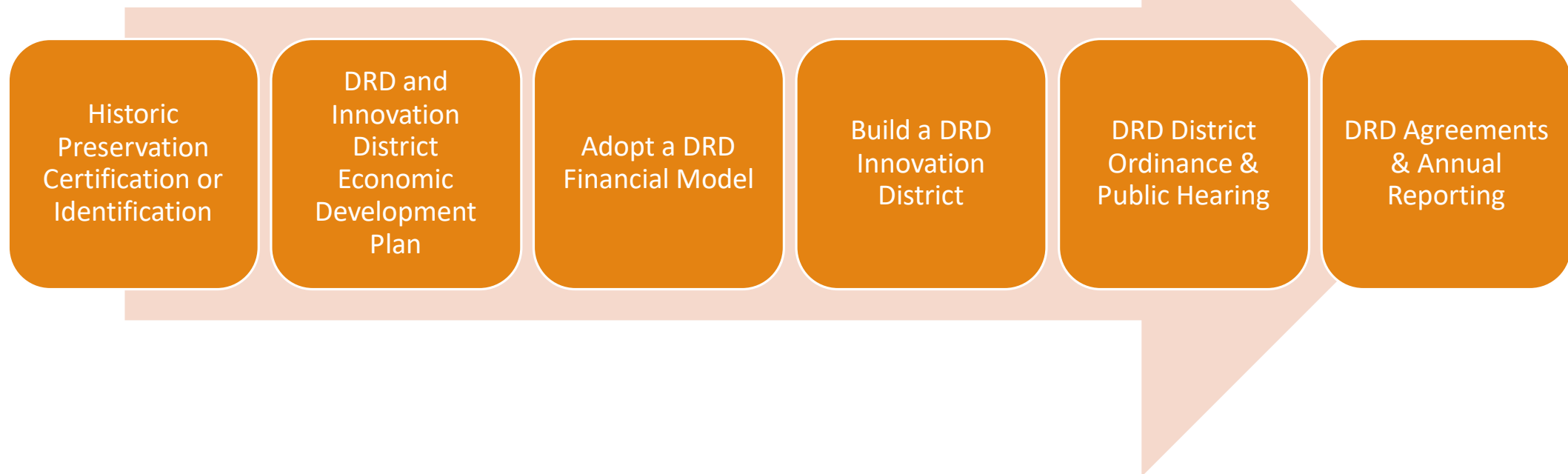
- Three DRD Program Requirements
 - Based upon a DRD economic development plan
 - DRD is a continuous district no larger than 10 acres with a historic building in the DRD
 - Up to 70% of increase in assessed valuation in DRD may be exempted from real property taxation and used to fund historic & non-historic building and infrastructure redevelopment projects, fund for operations and capital projects related not for profit economic development corporations, and provide loans/grants for technology companies in an Innovation District as well as non-technology companies in the entire district for up to 30 years with school district approval or up to 10 years without





Downtown Redevelopment

Downtown Redevelopment District Program Process





Downtown Redevelopment

Innovation Districts

- Within DRD
- 100 gigabits per second of high-speed broadband service
- Municipal designation
- Tech district supporting business incubators and accelerators
- Identical tax incentive and term as DRD
- Provide loans/grants to tech companies within Innovation District





Downtown Redevelopment

JobsOhio Revitalization Program Loan and Grant Fund

- Challenging redevelopment site with 20 or more jobs created
- Targeted industry sectors
- Capital investment
- Businesses, non-profits or local governments eligible
- Business and financial plan for site
- Abandoned or under-utilized contiguous property eligible
- Eligible costs include: demolition; environmental remediation; building renovation; asbestos and lead paint abatement; removal and disposal of universal and construction waste; site preparation; infrastructure; and environmental testing and lab fees; remediation projects
- For environmental remediation loans and grants, a No Further Action letter issued by an Ohio Certified Professional is typically required for projects where long-term engineering controls are necessary on the site.
- May require a Covenant Not to Sue from the Ohio Environmental Protection Agency, depending on the project and site characteristics.





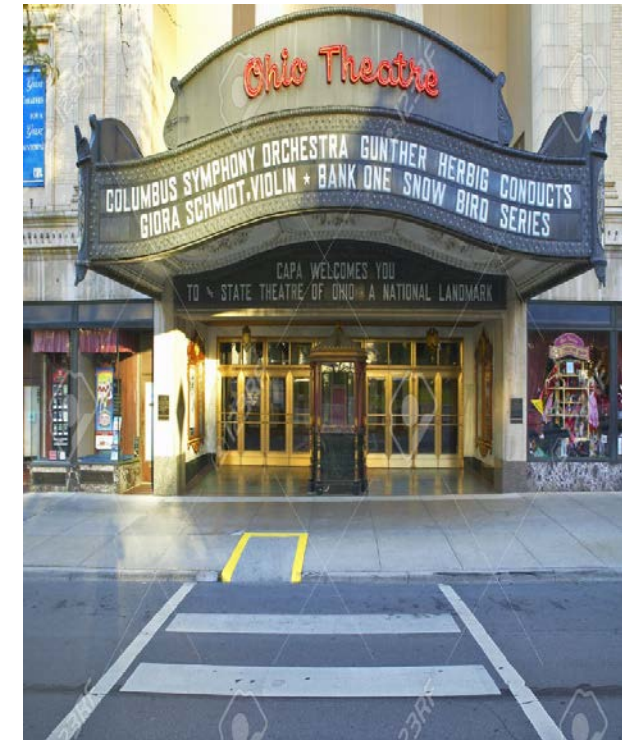
Downtown Redevelopment

State of Ohio Capital Budget Community Project

- \$150-\$200 M
- Every two years
- Capital in nature
- Connection to state government agency
- Economic development, arts, historic, sports, infrastructure, health care

SB 310 Highlights

- \$1.25 B in Capital Bill Community Project Requests
- \$156M in Capital Bill Community Project Awards compared to \$166M last time
- 358 Capital Bill Community Project Awards Compared to 280 last time
- \$608,000 average award in Capital Bill Community Projects compared to \$346,000 last time





Downtown Redevelopment

Building a Downtown Capital Access Fund

- Leverage assets from public and private sector
- Make investments in high-growth and high-wage companies
- Job creation and high-degree of commercialization potential
- Outside review of technology and business plan
- Board of advisors determines funding
- Investors receive ROI in the form of company equity and dividends
- Focus investment on industry cluster tied to region
- Done in conjunction with Innovation Center





Downtown Redevelopment

Tax Increment Financing

- The purpose of using a TIF is to generate payments in lieu of taxes (PILOTs) to pay for public infrastructure improvements.
- All existing taxes are unaffected.
- County treasurer collects PILOTs along with real estate taxes.
- PILOTs are in the same amount as otherwise applicable taxes.
- Parcel TIF versus Incentive District TIF
- School District and overlapping taxing district issues, public notice and compensation
- TIF Agreement

TIF Public Infrastructure Improvements

- More traditional governmental projects such as roads, water & sewer lines, storm water, parking
- Redevelopment projects (e.g. land acquisition, land preparation, environmental remediation and demolition)
- New development projects and related infrastructure improvements, e.g. gas, electric and other utility type services, e.g. communication, cable, etc.
- Projects can sometime be located on privately owned properties





Downtown Redevelopment

Ohio Idle Property Tax Abatement Program

- Permits local governments to abate taxes on idle property for six years to create an incentive for redevelopment
- Vacant commercial or industrial buildings or structures must be certified as idle, property is properly zoned, not tax delinquent or does not owe money to a special assessment
- Notice provided to local school districts
- Abatement terminates when owner receives a certificate of occupancy for the property, commercial, agricultural, or industrial activities occur on the property, owner transfers title of the property to another person; and property is zoned or re-zoned such that the construction of a commercial or industrial building is no longer allowed



Downtown Redevelopment

Ohio CRA

- Designated area
- Pre 1994 CRA & Post 1994 CRA
- Real property tax exemption from new investment
 - High-wage job creation, capital investment & housing
- New, existing, vacant, or renovation of an existing facility
- Relocation permitted
- Housing survey required
- State law authorized, locally negotiated
- Key negotiations terms
 - Exemption percentage- above 50% require school approval
 - Term
 - Geographic location
 - Local worker hiring
 - Clawback





Downtown Redevelopment

Special Improvement District

- Public improvements or services beyond the level currently provided
- Area of land or district within which owners of real property pay special assessments for designated services or improvements
- Creation is initiated in one of two ways
 - Owners of at least 60% of front footage (excluding church or government property) petition appropriate legislative authority
 - Owners of at least 75% of land area within the proposed SID petition for improvements





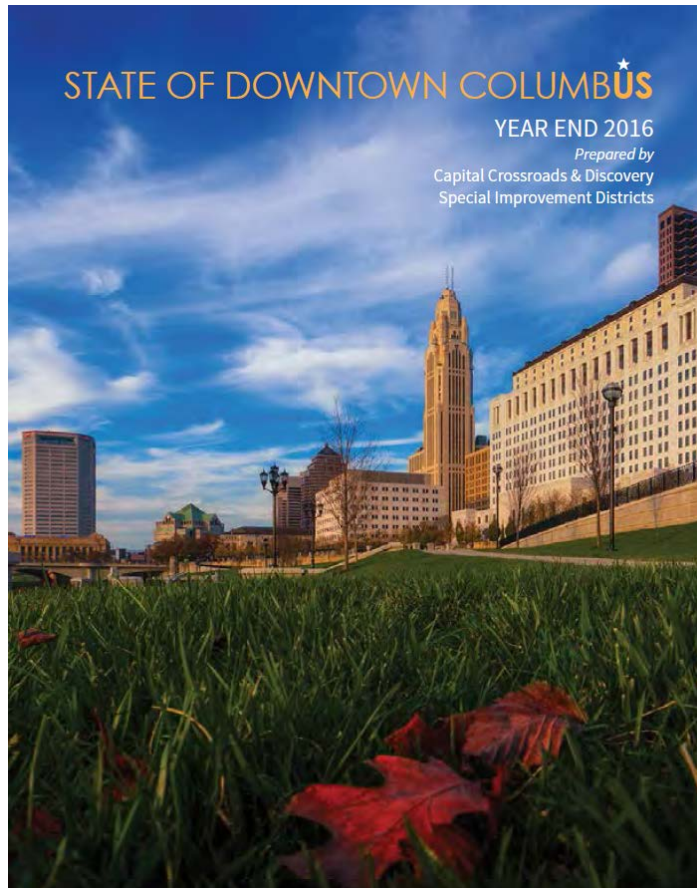
Downtown Redevelopment

2010 Downtown Columbus Master Plan	<ul style="list-style-type: none">• Mixed Use<ul style="list-style-type: none">• Office, Housing, Arts & Entertainment• Parking• Walkable
Municipal Job Creation Tax Credit	<ul style="list-style-type: none">• 50% municipal tax credit for office jobs created in Downtown Columbus
Downtown Housing Tax Abatement	<ul style="list-style-type: none">• 100% property tax abatement for any housing created Downtown
Special Improvement District	<ul style="list-style-type: none">• 2 Downtown SIDs for public safety & streetscape
Theater & Arts Districts	<ul style="list-style-type: none">• Theater District DRDs• Downtown office historic preservation tax credits• State Capital Bill for arts funding and Downtown planning
Tax Increment Financing Districts	<ul style="list-style-type: none">• TIF for Parking Garages





Downtown Redevelopment



REPORT HIGHLIGHTS

14



MAJOR INVESTMENTS

\$1 Billion
PROPOSED

\$734 Million
UNDER CONSTRUCTION

\$116 Million
COMPLETED IN 2016



HOUSING & RESIDENTS

8,100
Residents

97%
Apartment
Occupancy



EMPLOYMENT & OFFICE

84,367
Workers

12%
Office Vacancy Rate



EDUCATION

5
Colleges & Universities

33,000+
College Students



RETAIL

15
New Retailers in 2016

240+
Retail Goods & Services
Businesses



HOSPITALITY & ATTRACTIONS

556
Rooms Proposed or
Under Construction

70.4%
Occupancy Rate



TRANSPORTATION & LAND USE

87
Cars Per 100 Workers
Drive into Downtown

3%
Growth in COTA CBUS Ridership



Downtown Redevelopment

Questions

- David Robinson
 - drobinson@montrosegroupllc.com



Innovation
Economy Partners
OUR FOCUS: IMPACT AND OUTCOMES



Saving Main Street Retail

October 18, 2017



What's going on here?





A Vision of Transformation



Keith Curtis
CEO,
Rural Real Estate Development



An Eye Towards History



Serving Local Demand





Serving Local Demand





Financial Opportunity?

Capital Costs	Cost
Property Purchase Price	\$55,000
Improvements	\$40,000
Total Cost	\$95,000

Recurring Costs	Cost
Utilities (Gas, Electric, Water)	\$5,500
Taxes	\$2,600
Total Cost	\$8,100

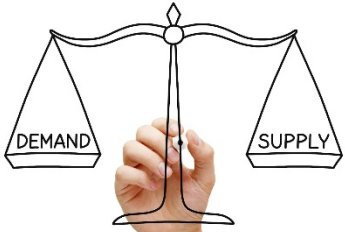
	Monthly Rent per Unit	Annual Collections
12 Apartment Rental Units	\$415	\$59,760
3 Retail Stores	\$550	\$19,800
Annual Collections		\$79,560



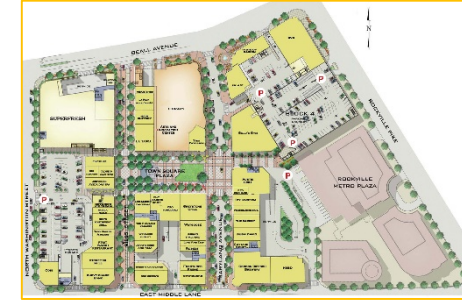
Toronto Ohio: Break Even on Investment: 2.5 Years



LOCAL DEMAND



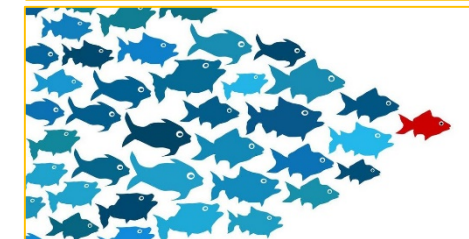
LOCAL INFRASTRUCTURE



BUSINESS DRIVERS



REGIONAL LEADERSHIP



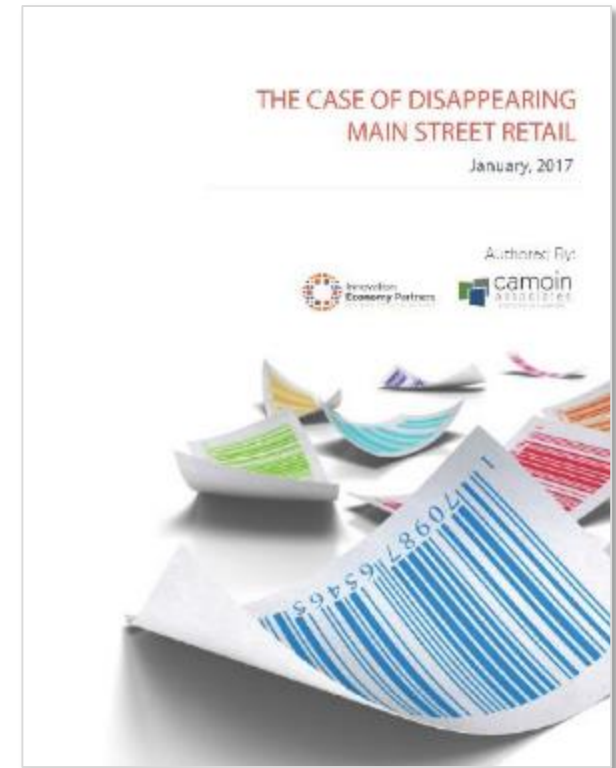
Q&A



Hrishue Mahalaha
Founder & Senior Partner

Innovation Economy
Partners

Retail White Paper:





Toronto Ohio: Innovative Tuckpointing





Toronto Ohio: Local Employment





A Vision of Transformation

Critical Barriers Need To Be Addressed:

1. Too many inaccessible retail/commercial spaces
2. Transform our local culture of entrepreneurship
3. Provide more technical support to our entrepreneurs
4. Develop population density downtown
5. Leverage the power of the ecology

Regional Incubator for Sustainability & Entrepreneurship (RISE) Vision - Incubation & Networking Space



Downtown Redevelopment an Investor's Perspective

MIKE ROSE, WASHINGTON PROPERTIES

INTERVIEWED BY HARRY EADON

Main Street Program, the four points...

- Organization
- Design
- Promotions
- Economic Development

Main Street Program, the eight principles...

- Comprehensive
- Incremental
- Self-help
- Public/Private Partnerships
- Identifying and Capitalizing on Existing Assets
- Quality
- Change
- Implementation-Oriented

Medina Public Square Redevelopment



Medina Public Square Redevelopment

- Medina redevelopment started in 2007
- 13 retail vacancies in 2008, now a waiting list
- Keys to success:
 - Main Street Program
 - Design & Color
 - Business Mix Vision
 - Invested Champion

Downtown Wooster Redevelopment



Downtown Wooster Redevelopment

- Wooster redevelopment started in 1982
- Streetscape 1990's – Stan Gault
- Residential Living 2000's – Mike Rose
 - Started with 5 Loft Apartments, now..
 - 145 Loft Apartments and 10 Condominiums
- 1987: 42% Retail Vacancy
- 2017: 98% Retail Occupancy

Downtown Wooster Redevelopment

- Keys to success:
 - Main Street Program
 - Design & Color
 - Business and Residential Mix
 - Invested Champions
 - Buildings renovated to comply with OBC
 - Main Street Liquor License

Downtown Wooster Redevelopment

- Collateral Impacts:
 - Two Downtown Hotels at 85%+ occupancy
 - Boutique Retail as an alternative to the Big Box
 - Broad Demographic Mix
 - Recruitment Tool for College of Wooster, ATI, OARDC, and Manufacturing Businesses