

DEPARTMENT OF ECONOMIC DEVELOPMENT

EXECUTIVE SUMMARY

Project: Innovation Square
Address: E. 105th St. at Frank Avenue
Ward: 6

As part of the development of the Opportunity Corridor and the Innovation Square/New Economy Neighborhood areas around E. 105th Street in the Fairfax neighborhood, Fairfax Renaissance Development Corp. has been leading a collaborative effort with McCormack Baron, a development group headquartered in St. Louis, to develop a residential building located on the west side of E. 105th Street on property largely owned by the City. Fairfax and the developer have formed a joint venture where Fairfax will receive a portion of the management and ownership interest in the property.

The project will consist of 80 units (20 450sf studios, 44 675sf 1BRs, and 16 1,000sf 2BRs). 56 units (70%) will be market rate and 24 units (30%) will be workforce housing, with eight each priced at 75, 85, and 95% of AMI. Along with the neighboring development of the Meijer grocery store, this will be the first attempt to develop market-rate and workforce housing at scale outside of the downtown, University Circle and Near West side markets.

The development faces several challenges. First, market rents are not expected to reach the levels that have been reached in the hotter markets of the City and thus cannot subsidize the lower “workforce” rents. Second, because the project is not “affordable”, it is not eligible for LIHTC or a similar subsidy. Third, construction costs continue to increase during the COVID pandemic. Fourth, they have approximately \$1,000,000 in site preparation costs as a result of foundations and geotechnical issues.

To assist with this project, the Department has recommended a non-school TIF and two loans of \$2,000,000 and \$1,300,000.

Loan Terms

Cleveland Loan I

Term: 30-Years

Interest Rate: 0%, Years 1-10
2%, Years 11-30

Amortization: 20 Years, Starting in Year 11

Collateral: Shared Subordinate Position with Foundations

Cleveland Loan II

Term: 30-Years

Interest Rate: 0%, Years 1-10
3%, Years 11-30

Amortization: 15 Years, Beginning in Year 16

Collateral: Shared Subordinate Position with Foundations
Cash-out prioritization

Est. TIF Value: \$481,000

Estimated Sources & Uses

| <u>SOURCES</u> | | <u>USES</u> | |
|------------------------------|--------------|----------------------|--------------|
| PNC Bank Loan | \$2,600,000 | Acquisition | \$750,000 |
| Cleveland Clinic Loan | \$10,000,000 | Hard Construction | \$19,020,000 |
| PNC Bank OZ Equity | \$8,100,000 | Soft Costs | \$5,900,000 |
| Philanthropy (Gund/CLE Fdns) | \$1,150,000 | Predevelopment Costs | \$1,000,000 |
| City of Cleveland Loan I | \$2,000,000 | | |
| City of Cleveland Loan II | \$1,300,000 | | |
| Port Authority Capital Lease | \$320,000 | | |
| Developer Equity | \$1,200,000 | | |
| <u>TOTAL</u> | \$26,670,000 | <u>TOTAL</u> | \$26,670,000 |

Community Benefits:

- Chapter 187 Applies
- Chapter 188 Applies
- Project will be Prevailing Wage