



City of Cleveland

Frank G. Jackson, Mayor

Mayor's Office of Capital Projects
Division of Real Estate
James DeRosa, Commissioner
601 Lakeside Avenue, Room 518
Cleveland, Ohio 44114-1015
216/664-4052 Fax: 216/664-2289
www.city.cleveland.oh.us

REVISED

March 25, 2019

Anthony Brancatelli,
Councilman - Ward 12
Cleveland City Council
601 Lakeside Avenue, Rm. 220
Cleveland, Ohio 44114

RE: Hough-Ansel Apartment Project (Ord. No. 261-2019)

Councilman Brancatelli:

I am following up from the March 19, 2019 Development Planning and Sustainability Committee meeting when Ord. No. 261-19 was approved with the request for additional information.

Specifically, I have attached the following per your request:

- 1) A revised legislative summary that includes more details on the project: how many units, how much parking, requirements for construction (prevailing wage, Fannie Lewis, OEO), stated terms that no public funding is needed, stated terms that this will follow traditional tax abatement terms (construction only; land will be taxed at improved value);
- 2) Investment financials on the apartment building and construction; and
- 3) An executive summary of what a community land trust is and what it can do, stated terms that this is a 40 year deal, stated terms that lease rate will be \$25,000 per year with a 5% escalator each 5 years, proposed composition of the governing board of the land trust, and parameters regarding what purposes the trust can expend funds.

Thank you.

Very truly yours,

James D. DeRosa, Commissioner

Enclosures

cc: Chief Valarie McCall; Director Matthew Spronz; Director Michael Cox; Director Tania Menesse; Marcia Johnson

LEGISLATIVE SUMMARY
Mayor's Office of Capital Projects
Division of Real Estate

**Sale of Land for the Hough-Ansel Apartment Project and Construction
of a new Orr Park on Lamont Avenue**

Ordinance No: 261-2019

Legislative Purpose: To authorize the Directors of Public Works and Community Development to sell land to New Village Corporation ("New Village") or its designee for the Hough-Ansel Apartment project, to authorize City to enter into a development agreement with New Village or its designee and Signet Hough Housing, LLC ("Signet," and collectively with New Village, the "Developers"), to accept a donation from New Village or its designee for construction of a new Orr Park, and to authorize the Mayor's Office of Capital Projects to use sale and gift proceeds solely to construct a new Orr Park on Lamont Avenue.

Overall Project Summary: The Developers have proposed to construct a new apartment complex at the southwest corner of Hough Avenue and Ansel Road where City's Orr Park and a Land Bank parcel are currently located in the Hough neighborhood.

They propose to construct approximately 163 units (204 beds), 149 parking spaces and limited retail. Total project costs are anticipated to be \$32,778,265. The rental rates are anticipated to be priced at \$2.00 to \$2.60 per square foot for a furnished unit depending on the unit type (studio, 1 bedroom, 2 bedrooms) and marketed to students, but not exclusively reserved for students.

This location is strategically placed between Case Western Reserve University's western campus and CWRU's new medical and dental schools at the Cleveland Clinic's main campus and is anticipated to spur additional development in the Hough neighborhood.

Before agreeing to sell Orr Park to the Developers, the City required that replacement greenspace be identified and that a plan for a new park be funded by the Developers. The Developers propose construction of a new park on nearby Lamont Avenue to replace the existing Orr Park. Land for the new park is currently in the Land Bank. A proposed new park design has been created by the Mayor's Office of Capital Projects with an estimated cost of \$885,000 for final design and site improvements, which the City will fund through the receipt of sale proceeds and a donation from the Developers.

The Developers have agreed to work with Citizens Leadership Academy | Breakthrough Schools, which is adjacent to Orr Park and has expressed the need to increase its footprint to accommodate future expansion.

The Developers are not seeking any subsidies from the City except for traditional residential tax abatement on the building. The land would become taxable upon transfer. Prevailing wage, Fannie Lewis and MBE/FBE rules do not apply since no public funds will be used on the apartment project, but Signet has agreed to enter into a Community Benefits Agreement with the City which will include use of MBE, FBE, and CSB design and engineering firms.

Sale of Orr Park:

Orr Park is approximately 2.07 acres and is under the jurisdiction of Dept. of Public Works. Land is proposed to be sold to New Village at appraised value, \$580,384.

Sale of Land Bank Parcel:

The Land Bank lot is located at 9620 Hough Ave. and is approximately 0.61 acres. This parcel is under the jurisdiction of the Dept. of Community Development. The Land Bank intends to sell the parcel to New Village for \$200, which is an allowed subsidized price for new housing development.

Replacement Park
Improvements:

The City has approved a property as the proposed site for a replacement park at a nearby location. The proposed improvement project is to create a new park on 4 Land Bank parcels on Lamont Avenue (PPNs 119-13-056, 119-13-057, 119-13-058, and 119-13-059). Total acreage is 1.71 acres.

City staff designed the proposed park enhancements, which are anticipated to cost approximately \$885,000 for final design and construction.

The Developers have proposed making a donation to the City in the amount of \$304,616, which when added to the sale price of Orr Park amounts to the total needed for the new park, \$885,000. These proceeds are to be deposited into a newly created fund and are to be used solely for the construction of a replacement Orr Park.

Mayor's Office of Capital Projects will bid and design/construct the park improvements through its typical process. OEO rules and regulations will apply to the new park construction project. The improvements will be maintained by the City after construction.

Developers:

Signet Hough Housing, LLC is affiliated with Signet, LLC, a real estate development firm based in Akron which brings more than 20 years of experience in successful collaboration and \$4.5 billion in development solutions for higher education, public-private partnerships and healthcare projects.

New Village Corporation is a non-profit subsidiary of Cleveland Neighborhood Progress. New Village has brought just under \$200 million in new development to the City of Cleveland to date through its multi-faceted expertise in development and lending, including affordable and market-rate housing, shopping centers, and grocery stores.

New Village Corporation will execute a long term ground lease with Signet Hough Housing, LLC. New Village anticipates creating a Community Land Trust in Hough which will ultimately own the real estate.

Permanent Parcel Nos.
For Sale Parcels:

PPNs 119-13-072 (Public Works/Orr Park) and
119-13-022 (Community Development/Land Bank)

Sale Prices:

Orr Park sale price is \$580,384 (appraised value -
\$6.40/square foot)

Land Bank sale price is \$200

Ward:

Ward 7 (Councilmember Basheer Jones)

Attachments:

Map and Site Plans

March 21, 2019

Re: Financing Process for the Hough Ansel Housing Project

For the debt financing related to the project, Signet Capital, Signets' in-house captive investment bank, will create a detailed Request for Financing package for the project and send it to approximately six (6) local and national banks. Examples of banks to receive the financing package include: S&T Bank, PNC Bank, Citizens Bank and Huntington Bank, etc. We typically include both small regional banks and larger regional banks in our request. The banks will typically respond with a summary of terms on the financing within 2-3 weeks.

Signet will then narrow the list to two (2) banks and then negotiate terms with each bank before ultimately selecting the bank to provide the financing for the project. After the bank is selected, the document process usually takes approximately 45 days to financial closing.

Schedule

Financing term sheet issued to potential lenders	3/29/2019
Proposals received from Lenders	4/12/2019
Select Lender	4/19/2019
Close Financing	5/31/2019
Construction Start	6/5/2019
Construction Completion	7/17/2019

PROJECT BUDGET

Cleveland Hough Housing

	Nominal	Per Gross SF
Land Costs	\$885,200	\$6.24
Construction and A&E Costs	\$27,095,865	\$190.91
Soft Costs & Contingency	\$3,341,708	\$23.55
Real Estate Financing Costs	\$1,455,492	\$10.25
Total Project Costs	\$32,778,265	\$230.95

PROFORMA

Cleveland Hough Housing

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Totals
Operating Assumptions											
Occupancy Rate	67.3%	85.0%	92.0%	92.0%	92.0%	92.0%	92.0%	92.0%	92.0%	92.0%	
Operation Projections											
Gross Effective Revenue	2,023,361	2,764,593	3,175,915	3,255,311	3,336,693	3,420,110	3,505,614	3,593,255	3,683,086	3,775,163	32,533,101
Operating Expenses	866,503	981,552	1,001,184	1,021,208	1,041,631	1,062,462	1,083,713	1,105,387	1,127,492	1,150,042	10,441,174
Net Operating Income	1,156,858	1,783,041	2,174,731	2,234,103	2,295,062	2,357,648	2,421,901	2,487,868	2,555,594	2,625,121	22,091,927
Expenses as % of Revenue	42.8%	35.5%	31.5%	31.4%	31.2%	31.1%	30.9%	30.8%	30.6%	30.5%	
Financing/Ground Lease											
Senior Debt Service	645,322	1,631,949	1,631,949	1,631,949	1,631,949	1,631,949	1,631,949	1,631,949	1,631,949	1,631,949	14,687,541
Ground Lease	25,000	25,000	25,000	25,000	26,250	26,250	26,250	26,250	26,250	27,563	233,813
Total Debt Service & Ground Lease	670,322	1,656,949	1,656,949	1,656,949	1,658,199	1,658,199	1,658,199	1,658,199	1,658,199	1,659,512	15,591,676
Operating Cash Flow											
Cash Flow After Debt Service & Ground Lease Costs	486,536	126,092	517,782	577,154	636,863	699,449	763,702	829,669	897,395	965,609	6,500,251

HOUGH COMMUNITY LAND TRUST

OVERVIEW

APPROACH TO SIGNET STUDENT HOUSING DEAL

Ward 7 Councilman, Basheer Jones, is interested in utilizing the Signet Housing Project (the “Project”) as an opportunity for the Hough community to maintain community control over an asset, specifically the land below the Project, and generate some revenue that could be reinvested in the community. New Village Corporation (NVC) was asked to assist the Councilman in advancing his goal by overseeing the real estate deal and negotiating the terms of a Ground Lease with Signet until the Community Land Trust is in place. Based on the Project’s timing, two steps are needed to advance the Hough Community Land Trust (HCLT) Project:

- (1) New Village Corporation (NVC) stands in for the HCLT to purchase the relevant land from the City of Cleveland and enter into a ground lease with Signet to advance the Project. **TIMING:** Immediately since Signet needs to break ground in May of 2019 in order for the Project to be ready for occupancy by August of 2020.
- (2) A community-driven, community-controlled process to establish an HCLT is launched and a Community Land Trust (CLT) is put in place. **TIMING:** Commencing in April of 2019 and lasting 12-18 months.

Once the HCLT is in place, NVC will transfer the Ground Lease to a separately established Limited Liability Company owned by the HCLT.

Terms of the Ground Lease: \$25,000/year for 40 years with 5% increase every 5 years. After paying for insurance, accounting and any other management expenses, the HCLT will have dollars available to invest in anything that is considered consistent with its charitable purpose as required by its tax exempt status.

GOVERNANCE

The Hough Community Land Trust will be a private, nonprofit corporation with a corporate membership open to anyone living within identified parameters (often identified as the neighborhood, city, or county). An exploratory meeting will occur in April of 2019 with several residents and community stakeholders. They will be meeting with a consultant from Burlington Associates to discuss the concept and learn about the history and evolution of community land trusts in the United States. With help from the consultant, the planning group will develop a business plan that articulates the critical assumptions on which a CLT in the Hough neighborhood would be established and operated. That work will include defining an organizational structure and governance, service area, target project types, projected project subsidy requirements, critical organizational functions to be managed, staff capacity requirements, anticipated pace and scale of the CLT’s portfolio growth, etc.

OPERATIONS

The trust will be operated by the board and its members. Many of the detailed nuances related to operations will be determined during the lengthy business planning process, led by Community Land Trust experts of Burlington Associates. As such, considerations for hiring staff and use of land trust resources will be made during the business planning phase.