

SECTION 108 LOAN REQUEST

**THE BOWERY
DEVELOPMENT**

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Submitted by:

Akron, Ohio

Department of Planning and Urban Development

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EXHIBITS

1. Project Pro Forma
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THE BOWERY DEVELOPMENT

Section 2. Project Description

The City of Akron, Ohio is applying to the Department of Housing and Urban Development (HUD) for a Section 108 loan guarantee in the amount of \$1,850,000 to assist in the revitalization of three historic buildings located on South Main Street in the heart of downtown Akron. The City of Akron will lend these funds to The Bowery Development Group to be used towards site development costs including site preparation and revitalization of three buildings.

Background

The Bowery Development Project offers the opportunity to redevelop a total of six connected vacant buildings on South Main Street and contribute to the revitalization of Downtown Akron. This project will result in the development of the Akron Savings and Loan Building (156 S. Main St.), the Day-Klein Building (164 S. Main St.), the Osterman Building (168 S. Main St.), the Lock 4 Arcade Building (172 S. Main St.), the Standard Savings Building (174 S. Main St.) and the Whitelaw Building (176-180 S. Main St.), all located at the southwest corner of the intersection of South Main Street and West Bowery Street.

The Savings and Loan Building is a beautiful 12-story Classical Revival building constructed in 1923 and designed by New York architect Alfred Hopkins. The other buildings range from two to five-stories with construction dates between 1903 and 1920. The Section 108 loan will be used to assist in the development of three of these buildings – the Lock 4 Arcade Building (c. 1915), the Standard Savings Building (c. 1920) and the Whitelaw Building (c. 1903).

The City of Akron has been seeking a developer for this stretch of vacant storefronts for nearly 20 years. As economic prospects had faded downtown thru the 1980's into the 1990's, the historic buildings had become mostly vacant and were a significant blighting influence along S. Main Street. The City came into ownership of these buildings in the late 1990's, along with more vacant buildings further down the street. The vacant storefronts down the block were demolished in 2001 along with a large deteriorated parking deck. These demolitions provided space for the creation of a new downtown park. The park, Lock3 Park, is so-named because the still-intact Ohio and Erie Canal, previously obscured from view by the parking garage and storefronts, was now plainly visible. Walking paths were constructed alongside the Canal. The new park was opened in 2003 and hosts concerts on weekends all Summer and provides ice skating all Winter. .

In 2008, the remaining properties on the block were listed in the National Register of Historic Places with the designation of the South Main Street Historic District. In the same year, the City entered into a development agreement with a private development firm for the redevelopment of the properties. With the economic downturn, this project stagnated and the City reclaimed ownership of the properties in 2016. In late 2016, the City announced a new \$38 million plan to revitalize the remaining buildings. The City entered into an agreement with the Bowery Development Group, a partnership of DeHoff Development of North Canton, Ohio and KBFG Investments of Strongsville, Ohio, for the redevelopment of all six buildings in the Bowery district. In June, 2017, the Ohio Development Services Agency awarded the Bowery project with a total of \$5.03 million of Ohio Historic Preservation Tax Credits.

The development of the Bowery district is anticipated to coincide with the City of Akron's redesign and redevelopment of S. Main Street. In 2016, the City of Akron received \$5 million in funding through the United States Department of Transportation (TIGER – Transportation Investment Generating Economic Recovery) for the reconstruction of South Main Street through downtown. The scope of the Akron project includes the construction of a green, complete streets corridor on Main Street in downtown Akron. Specific improvements include roadway and sidewalk repairs, the addition of on-street parking and dedicated bike lanes, transit enhancements, a roundabout, traffic enhancements, way-finding signage and green infrastructure. The sidewalk repairs will include making space for patios for outside dining for restaurants along South Main.

The Bowery development, combined with the streetscape improvements, will be transformative in nature for the entire downtown. The proposed mixed-use Bowery development will attract new residents and re-establish the S. Main Street corridor as an economic focal point. The Bowery development will also help meet the strong demand for additional downtown housing.

The Proposal

The Developer is proposing a substantial investment in The Bowery project thus improving blighting conditions at this critical downtown intersection. The project will consist of two phases and will assist in the ongoing revitalization of downtown Akron. This project will spearhead a recent initiative of the City of Akron to encourage the development of housing within the core of downtown. The City administration strongly believes that development of housing opportunities is key to growing our population and strengthening economic development.

Phase I

Phase I of The Bowery will begin in early Summer, 2018. Phase I will include the Akron Savings and Loan, the Day-Klein, and Osterman buildings. The redevelopment will cost approximately \$30.2 million and will include approximately 90 mixed-income apartments, office and retail space, and add a fresh food grocer to downtown Akron.

Phase II (SECTION 108 LOAN)

The primary objective of Phase II is the revitalization of the Lock 4 Arcade, Standard Savings, and Whitelaw Buildings. The project, seeking the HUD Section 108 funding, will revitalize three neglected buildings of The Bowery. These buildings significantly contribute to blighting conditions along this stretch of South Main Street. The Lock 4 Arcade, Standard Savings, and Whitelaw Buildings will be repurposed into a hub of commercial activity, with approximately 6,500 square feet of office space and 11,482 square feet of retail space. Additionally, the revitalization of these buildings will add jobs to this section of downtown and will stimulate future investment.

The City demolished the parking garage on Bowery Street adjacent to the Landmark building, opening up a portion of the Ohio & Erie Canal for the first time in more than a century. This space provides an opportunity for a partnership to use the lower levels of the rehabilitated buildings as canal-level pedestrian spaces to serve customers at restaurants and clubs.

The City of Akron continues to develop a master plan for the remaining areas of the block around the Canal, Lock 3 and Lock 4, bounded by Main, Bowery and State streets. The City completed the multi-million dollar construction of an outdoor park and canal water feature at Lock 3 and Lock 4, which serve as public amenity space with a concert pavilion in the summer and ice rink in the winter.

Construction on Phase II should begin in early Fall, 2018 (pending Section 108 Loan approval). Revitalization costs for Phase II are approximately \$6.9 million.

Surrounding land uses include office space, a vacant building, the Akron Civic Theater, and vacant developable land.

The City is in possession of the development site. The City will sell the buildings to

the developer who in turn will revitalize this section of South Main Street.

If the Department of Housing and Urban Development approves this application for a Section 108 loan guarantee in the amount of \$1,850,000, the City will lend the proceeds to The Bowery Development Group, taking a first lien position. The Section 108 loan makes this project feasible.

Section 3. Community Development Objectives

Section 108 Submission Requirements

A. Community Development Objectives

The Section 108 loan will result in the development of downtown residential elements, retail, entertainment, boutique/incubator office and a viable fresh food market to South Main Street. The site is located on a highly visible corner lot that has been vacant for over twenty years. This revitalization effort will benefit downtown through the elimination of blight along South Main Street and return these historic buildings to a vibrant mixed used development. In doing so, the loan will meet three of the City of Akron's Community Development Block Grant (CDBG) Program Objectives. These objectives are:

1. Revitalizing Downtown Akron
2. Improving the safety and livability of Downtown Akron.
3. Promoting the environmental health and welfare of Akron citizens by eliminating slum and blighting conditions.

B. Eligibility under 24 CFR 570.703

The Bowery Project and the proposed use of loan funds is eligible under 24 CFR 570.703 (h) – housing rehabilitation eligible under Section 570.202.

Section 570.202 (d) allows for the rehabilitation, preservation, or restoration of historic properties.

The City of Akron assures HUD that a loan to finance the elimination of slum and blight will meet the requirements of Section 570.203.

Section 4. Projected Use of Section 108 Loan Guarantee Funds

The City is applying for this Section 108 loan in the amount of \$1,850,000. Section 108 funds will be used to provide financing for site development costs including site improvements, the provision of utilities, paving and landscaping.

The total cost of The Bowery (Phase II) is projected to be \$6.9 million. Project financing will be from these sources:

Section 108	\$1,850,000
FHTC	\$1,050,000
SHTC	\$ 749,997
NMTC	\$1,365,000
TIF	\$ 274,000
County Land Bank	\$ 150,000
Port Savings	\$ 138,778
CDBG/Foundations	\$ 700,000
Deferred Developer Fee	\$ 285,500
Owner Equity	\$ 410,480
TOTAL	\$6,953,755

Funds will be used for the following purposes:

Hard Costs	\$5,714,033
Soft Costs	\$1,239,722
TOTAL	\$6,892,000

Section 5. Compliance with HUD National Objectives for Community Development

A. Activities to Address Slums or Blight on an Area Basis [Section 570.208(b)(1)]

- (i) The O'Neil's Urban Renewal Plan was reviewed and approved by Akron City Council on February 20, 1997.
- (ii) The O'Neil's Urban Amended Renewal Plan was amended in February, 2008 to include 8 structures and 11 parcels.

- (iii) In establishing the Eligibility Report for the Amended O’Neil’s Plan, Akron City Council agreed and approved the City Administrations finding that the area suffered considerable blighting influences: 10 of the 11 parcels were rated as blighted parcels and all 8 of the primary buildings were “deteriorated”. The Eligibility Report determines the extent of deterioration in the study area and meets the definition of “blighted area” under the provisions of Chapters 1.08 and 1728 of the Ohio Revised Code as passed by the Ohio General Assembly in 2007.
- (iv) The Renewal Plans and Eligibility Reports are included as attachments as part of the Section 108 application.
- (v) The national objective under which the Bowery is being implemented is 570.208 (b)(1) – Activities to address slums or blight on an area basis. The activities funded from the Section 108 loan include the project area meets the definition of a slum, blighted, deteriorated area under Ohio state law and local law.

Section 6. Proposed Repayment Schedule

Repayment of the \$1,850,000 Section 108 Loan is proposed over a 20 year period beginning in 2019. Repayment will be made through funds generated from lease payments upon completion of The Bowery Phase II renovation.

Section 7. Need for Assistance, Expected Sources of Repayment and Additional Security

A. Need for Assistance

Since 2006, the City of Akron will have spent over \$3.6 million on land assembly, demolition, and maintenance activities (non-federal funds). The total proposed project will have total project costs of approximately \$34.0 million. The developer has successfully secured funding from federal, state, local and private entities. Without the HUD 108 funds, there is a \$1,850,000 gap. Absent the HUD 108 loan, the gap becomes too large for the project to proceed. At this point, the City is not able to commit additional funds to the project due to the economy limitation on its debt capacity.

Proposed sources and uses are detailed in **the Exhibit X**.

B. Expected Sources of Repayment

Repayment will come from cash flow available for debt service from the lease payments from the renovation the Lock 4 Arcade, Whitelaw Building, and the Osterman Building.

C. Additional Security Requirement

The HUD 108 loan will be secured by a lien on the land and property. In addition, the City has the legal authority to pledge Community Development Block Grant funds in the event of a default.

Section 8. Financing Alternatives

For months, the City of Akron and DeHoff Development Company have made efforts to obtain additional financing for the proposed undertaking. The City's ability to provide additional funding to the project from existing revenues is severely limited, and, if pursued, would have a negative impact on other projects and programs necessary to meet local priorities and demands.

Section 9. Citizen Participation

The City of Akron has followed the requirements of its Citizen Participation Plan, developed as part of the Consolidated Plan process. Because the City's Consolidated Plan for 2017 has already been submitted and approved, the City undertook additional public participation activities for this application. The City conducted a public hearing on The Bowery Section 108 loan application and amendment to its consolidated Plan before the City Planning Commission on January 19, 2018 following public advertisement on January 6, 2018. This issue was also deliberated on by the Akron City Council and approved on February 5, 2018. Additional information on this project and application may be obtained at the Comprehensive Planning Office, Department of Planning and Urban Development, Municipal Building Suite 401, 166 South High Street, Akron, Ohio, 44308 or by calling the Department of Planning and Urban Development 330-375-2090.

Section 10. Certifications

See attached.