



COUNCIL MEMORANDUM

DATE: July 1, 2016
TO: Mayor Stephens & Members of Council
FROM: Tanisha Briley, City Manager
RE: Top of the Hill Redevelopment

EXECUTIVE SUMMARY:

The following is a report of the review team's findings and recommendations regarding the qualifications packages submitted in response to the City's request for qualifications for the Top of the Hill redevelopment project. The review team recommends two firms, Fairmount Properties and Flaherty & Collins Properties, be invited to present their qualifications and preliminary development concepts to City Council members at the July 11, 2016 Committee of the Whole meeting. These two firms were ranked highest by the review team according to the evaluation criteria approved by City Council in April of this year. The review team will be present to discuss the report at the July 5, 2016 Committee of the Whole meeting. Council will be asked to determine which teams will be invited to the following week's meeting for Council presentations.

BACKGROUND:

Six development teams submitted responses to the Request for Qualifications and Preliminary Development Proposals (RFQ/RFP) issued by the City in April. The submitting firms were:

- Fairmount Properties
- NRP Group
- Cedar Fairmount Redevelopment Partners
- Flaherty & Collins Properties
- Liberty Development Company
- The Finch Group

On May 28, 2016, the review team consisting myself, Susanna Niermann O'Neil, Richard Wong, Kara Hamley O'Donnell, Nancy McLaughlin, Karen Knittel, Kelly Moody (Silverlode Consulting), and Dennis McAndrew (Silverlode Consulting) met to evaluate the submissions and select development teams for initial interviews. For this process, the committee utilized a pre-determined scoring methodology, which evaluated each team and its proposal on the following five criteria:

- Developer qualifications
- Development concept
- Development approach
- Economic and fiscal impact

- Development schedule

(Note: Each of the five criteria including sub-categories to further define the overall criteria. The matrix was shared with and previously approved by City Council at the April 11, 2016 meeting.)

From this discussion, five of the teams were selected for interviews. NRP Group, which proposed a dense, apartment-heavy development, was not selected for an interview. On June 22, the committee interviewed the five remaining teams at City Hall. Each team was allowed 45 minutes to present their qualifications and preliminary development concept, and answer questions from the committee. Following the interviews, the committee ranked the teams/submissions as follows:

- Fairmount Properties
- Flaherty & Collins Properties
- The Finch Group
- Liberty Development Company
- Cedar Fairmount Redevelopment Partners

This ranking was largely consistent with the committee's ranking of the teams/concepts prior to the interviews.

A summary of the committee's evaluation of each team and its concept follows.

FINDINGS:

FAIRMOUNT PROPERTIES

Qualifications: Fairmount Properties, and the supporting team it has assembled for this project, has an exceptional history of recent, successful, large, mixed-use redevelopment projects which includes the East Bank of the Flats, Hudson (OH) First & Main, College Town Kent (OH), College Town Rochester (NY), and Pinecrest (Orange Village), most or all of which remain owned and operated by the Company. The Company and its current team have worked together on other projects and have demonstrated the ability to overcome complex development hurdles and work effectively with communities. The Company has already contacted potential commercial tenants, including a hotel operator, about the project and received positive feedback and expressions of interest. The Company has also performed a competitive analysis of nearby developments to confirm the market potential of its proposed development at the Top of the Hill.

Concept: The Company has an acute awareness of the unique opportunity the site provides. They have proposed a significant, mixed-use development concept that would include retail/restaurant space, both for sale and rental housing, office, and hotel uses. The Company has prior experience in the City and has outlined the best process for "curating" retail, restaurant, hotel, office and other commercial tenants that complement the site, the district,

and the City as a whole. The Company proposed several unique and creative ideas, such as wrapping the parking garage with townhomes to improve its appearance.

Approach: The Company has a successful track record of soliciting and incorporating public input into its prior developments. The Company also outlined the best process for ensuring diverse participation in not only the project's construction, but also permanent jobs created at the development. The latter would be accomplished through developer-sponsored job fairs as has been done at the Company's prior developments. The Company has also outlined ways that it will "give back" to the community, including internships for Heights students, utilization of Cleveland Heights products, and development of a living learning program with CWRU. This emphasis on "giving back" is unique among the respondents

Economic and Fiscal Impact: More than competing proposals, Fairmount expressed a focus on creating a destination for visitors from outside the City. In addition, Fairmount anticipates that office and hotel uses could occur, which could generate permanent greater new local income taxes than other proposals as well as potentially lodging taxes. The Company has indicated that Tax Increment Financing (TIF) or other financial assistance from the City would likely be required to help offset the cost of structured parking and other infrastructure.

Schedule: The proposed development schedule is rapid compared to most of the other submittals, with the development being completed in two phases over approximately three years.

Summary: Fairmount Properties response to the RFQ/RFP and interview were exceptional and impressed the committee. The firm offered the best qualifications, concept, and approach of the responding firms.

FLAHERTY & COLLINS PROPERTIES

Qualifications: Flaherty & Collins Properties has an exceptional history of recent, successful, large, mixed-use redevelopment projects in the Midwest, all or most of which remain owned and operated by the Company. The Company and its team have the demonstrated ability to overcome complex development hurdles and to partner with the communities in which its projects are located. With over 450 employees, the Company appears to be the largest of the submitting teams. The Company seems to have the most in-house capabilities, including architecture, construction, property management, leasing, etc., of the respondents. While the Company has significant experience in and near Ohio, it has the least prior Cleveland area experience of the submitting teams.

Concept: The Company has proposed a significant mixed-use development concept that would include retail/restaurant space and rental housing. Hotel and office uses are not contemplated. For sale housing is not currently contemplated, but rental units could be converted to condominiums. The Company indicated that commercial space would be a "loss leader," meaning that securing interesting restaurant, retail, gallery, etc. tenants that complement the development is more important than maximizing commercial rents. The Company focuses on

maintaining the vibrancy of their developments through ongoing special events. The Company tends to cluster more than one development in a community and indicated that a follow-on project in Cleveland Heights could occur.

Approach: The Company has demonstrated that it has incorporated input from the community in prior developments and a willingness to invest as much time as needed in a public input process for this development. Further, the Company had a proven history of involving the wider community in the construction process, citing hard hat tours as an example. As it has done for other projects, the Company would implement a process for ensuring diverse participation in the construction of the project.

Economic and Fiscal Impact: By virtue of its scale, the proposed project would have a large impact, but it could be lower than competing projects with office and hotel uses. The Company has indicated that Tax Increment Financing (TIF) or other financial assistance from the City would likely be required to help offset the cost of structured parking and other infrastructure.

Schedule: The proposed development schedule is the most rapid of the submittals, with the development being completed in one phase within 18 months from developer selection.

Summary: Flaherty & Collins response to the RFQ/RFP and interview were excellent and impressed the committee. It is clear that the firm has the ability to work well with the City to fully implement the development as proposed and perhaps do so more quickly than any of the competing firms. However, the firm appeared to be less focused on developing the site and district as a destination for the wider region, the proposed development did not include for sale housing, a hotel, or office, and the firm's experience in the Cleveland area is the most limited of responding teams, which is offset by its national experience.

THE FINCH GROUP

Qualifications: The Finch Group has a long history of successful large, recent, redevelopment projects, most or all of which remain owned and operated by the Company. The Company has significant experience in the City of Cleveland, and specifically University Circle. Most of its Cleveland area projects are primarily housing, with the exception of Innova, which is similar to the development that is proposed for the Top of the Hill. The Company and its team have the demonstrated ability to overcome complex development hurdles and a proven ability to partner with the communities in which its projects are located. The Company is one of the oldest and appears to be one of the two largest of the submitting teams. The Finch Group's team includes Payne & Payne Builders, a well-regarded local custom home builder, who would be responsible for the for sale housing.

Concept: The Company has proposed a significant, mixed-use development concept that would include retail/restaurant space, rental and for sale housing. Hotel and office uses are not contemplated. The Company proposed the largest proportion of commercial space of the submissions, but the process for identifying and securing complementary commercial tenants was not as well defined as Fairmount Properties and Flaherty & Collins.

Approach: The Company has demonstrated that it has incorporated input from the community in prior developments and a willingness to undertake a comprehensive public input process for this development. As it has done for other projects, the Company would implement a process for ensuring diverse participation in the project's construction. Although all respondents offered sustainability elements, The Finch Group committed to achieving LEED building and neighborhood certifications.

Economic and Fiscal Impact: By virtue of its scale, the proposed project would have a large impact, but it could be lower than competing projects that propose office and hotel uses. The Company has indicated that Tax Increment Financing (TIF) or other financial assistance from the City would likely be required to help offset the cost of structured parking and other infrastructure.

Schedule: The expected development schedule is the slowest of the submissions, with the development being completed in seven phases over eight years.

Summary: The Finch Group's response to the RFQ/RFP and interview were excellent and impressed the committee. The firm has a clear track record of success in Cleveland and University Circle and it is clear that the firm could work well with the City to fully implement the development as proposed. However, the two firms ranked higher by the committee specialized to a greater extent in mixed-use developments. The higher ranked firms also outlined better approaches to and experience with identifying restaurant, retail, and other commercial tenants that were complimentary to the district and its development as a destination. The Finch Group's proposed development did not include hotel or office uses, which could help to maximize fiscal impact for the City.

LIBERTY DEVELOPMENT COMPANY

Qualifications: Liberty Development Company and its rental housing partner, Edwards Communities, have excellent reputations, track records of success, and energetic and engaging teams; however, the two companies have not collaborated formally on a development yet, and Liberty has not led a development of the scale and mix it has proposed for the Top of the Hill. It appears that both Liberty's and Edward's experience is primarily in Ohio.

Concept: The Companies have proposed a significant, mixed-use development concept that would include retail/restaurant space, rental and for sale housing, hotel, and office. The Company proposed the second largest proportion of commercial space, but the process for identifying and securing commercial tenants who would complement the district and City was not as well defined as other respondents. The Company proposed condominiums, which they concede have been difficult to finance in the current market; however, Liberty believes it can overcome the federal lending hurdles that currently challenge condominium development.

Approach: Liberty has demonstrated that it has incorporated input from the community in prior developments and a willingness to undertake a comprehensive public input process for

this development. The Company would implement a process for ensuring diverse participation in the construction of the project, although it appears to have less experience in this area than other respondents.

Economic and Fiscal Impact: By virtue of its scale and the potential for hotel and office components, the proposed project would have a large impact. Liberty has indicated that Tax Increment Financing (TIF) or other financial assistance from the City would likely be required to help offset the cost of structured parking and other infrastructure. The Company has also indicated it would require the City to “backstop” the proposed Tax Increment Financing (TIF) with another City revenue stream, which could create significant financial risk for the City. No other submitting development team has expressed a similar requirement.

Schedule: The expected development schedule is unclear.

Summary: Liberty Development Company offered an appealing development concept and an energetic and engaging leadership team that could work well with the City, but the Company does not have the same experience with mixed-use, urban redevelopment projects of this scale as the firms ranked above it. The firm also has not worked on a comparable project with Edwards Communities, its development partner. The team’s requirement of the City’s pledge of a non-TIF revenue stream to underwrite project infrastructure needs is a point of concern.

CEDAR FAIRMOUNT REDEVELOPMENT PARTNERS

Qualifications: Cedar Fairmount Redevelopment Partners is a partnership of The Orlean Company and Integrity Realty Group. Both companies have significant experience in the City, but the two companies have not yet collaborated to the extent proposed for Top of the Hill, and it does not appear that either company has led a development of the scale and type that has been proposed. It appears that each company’s experience is primarily in Ohio. The project leader identified for the Company does not appear to have development or leadership experience commensurate with the project leaders for the other teams.

Concept: The Companies have proposed a mixed-use development that is similar in size and mix to other submissions. The proposed development would include retail/restaurant space, rental and for sale housing, and potentially hotel and office. The proposed development includes 80+/- condominiums, which are known to have been difficult to finance in the current market. The process for identifying and securing commercial tenants, especially hotel and office, was not as well defined as other respondents.

Approach: Cedar Fairmount Redevelopment is willing to undertake a comprehensive public input process for this development. The Company would implement a process for ensuring diverse participation in the project’s construction, although it appears to have less experience in this area than other respondents.

Economic and Fiscal Impact: By virtue of its scale the proposed project would have a large impact. The company has indicated that Tax Increment Financing (TIF) or other financial

assistance from the City would likely be required to help offset the cost of structured parking and other infrastructure.

Schedule: The expected development schedule is unclear.

Summary: Cedar Fairmount Redevelopment Partners has experience working with the City, but the Company lacks the experience with mixed-use, urban redevelopment projects of this scale of the more highly ranked firms. The firm also has not worked on a comparable project with Integrity Realty Group, its development partner.

STAFF RECOMMENDATIONS:

The City has the opportunity to select the very best teams from a strong group overall respondents for presentations to Council. Fairmount Properties and Flaherty & Collins Properties have distinguished themselves from the group by proposing the most compelling development concepts and providing clear evidence of their ability to work with the City to implement their concepts quickly and fully. While there is inherent risk in the development process the relative experience and demonstrated history of success in similar projects that Fairmount Properties and Flaherty & Collins Properties present help to minimize risk to the City.

Staff recommends that City Council invite Fairmount Properties and Flaherty & Collins Properties to present their qualifications and preliminary development concepts at the July 11, 2016 Council meeting. In order to provide for adequate time for sufficient discussion during the presentation, we recommend that up to 1.25 hours be allowed per team. Council may choose to accept or modify the review team's recommendation and this decision should be made at the July 5, 2016 meeting so that the teams can be notified of the required presence at the following week's meeting as soon as possible.

The review team will be on hand at the July 5, 2016 meeting to assist in the discussion and decision as needed.