



## COUNCIL MEMORANDUM

**DATE:** September 9, 2016  
**TO:** Mayor Stephens & Members of Council  
**FROM:** Tanisha Briley, City Manager  
**RE:** Top of the Hill Redevelopment Update

### EXECUTIVE SUMMARY:

The following is an update on the Top of the Hill project since the presentations to Council by Fairmount Properties and Flaherty & Collins Properties on July 12. The review committee has conducted significant due diligence on both development teams. Each team has worked very closely with the review committee to provide additional information regarding their plans for the site. Each team's concept for the project has evolved and is now fairly similar in scope, scale, and mix of uses and both are highly qualified to execute their proposed concept.

The review team will be present to discuss this report in greater detail at the September 12, 2016 Committee of the Whole meeting.

### BACKGROUND:

- Six development teams submitted responses to the Request for Qualifications and Preliminary Development Proposals (RFQ/RFP) issued by the City in April.
- On May 28<sup>th</sup>, the review committee met to evaluate the submissions and select teams for an interview by the committee based upon 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 was shared with and previously approved by City Council at the April 11, 2016 meeting.)

- On June 22, the committee interviewed five teams at City Hall.
- At the July 5<sup>th</sup> Committee of the Whole meeting, two teams, Fairmount Properties and Flaherty & Collins Properties were selected to make presentations to Council.
- On July 11<sup>th</sup>, both developers presented to Council.
- Since July 11<sup>th</sup>, the review committee has conducted significant due diligence on both teams, including:
  - Site visits of recent developments by each team in the Cleveland and

Indianapolis areas.

- Interviewing, via telephone, six to seven public, or former public officials from communities in which each team has recently worked on a similarly sized development project.
- Engaging both teams in in-depth discussions of their expectations regarding financial assistance from the City.
- Reviewing and evaluating the financial feasibility models prepared by each team.
- Meeting with a representative of a hotel brand that has an interest in having a location in the development.
- Maintaining consistent dialogue with the teams regarding changes to their initial concepts and their efforts since their presentation in July.

## **FINDINGS:**

### FAIRMOUNT PROPERTIES

*Qualifications:* Fairmount Properties has an exceptional history of recent, successful, large, mixed-use redevelopment projects both inside and outside of northeast Ohio. Notable examples include the East Bank of the Flats (Cleveland, OH), First & Main (Hudson, OH), College Town Kent (Kent, OH), College Town Rochester (Rochester, NY), and Pinecrest (Orange Village, OH), all of which remain owned and managed 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.

*Concept:* The Company's concept has evolved since it was presented to Council on July 11. The current proposed concept includes:

- 288 luxury apartments, a portion of which could be developed as condominiums
- 18 townhomes
- 36,000 square feet (SF) of first floor retail/restaurant space
- 30,000 to 40,000 SF of office
- A 120 room nationally-branded hotel or a 55-80 room boutique hotel
- 600 structured parking spaces

The Company indicates that the project would involve estimated hard construction costs of approximately \$75 million.

The Company indicates that the current concept would require tax increment financing (TIF), or other public financing sources, to fill a cost gap. The Company has also indicated that 100% property tax exemption for 15 years may be required for the for-sale housing units.

*Approach:* The Company has a successful track record of soliciting and incorporating public input into its prior developments. The Company also outlined a compelling approach for ensuring diverse participation in not only the project's construction, but also the 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 services, and development of a living learning program with CWRU.

The Company has already contacted potential office, retail, and restaurant tenants as well as a hotel brand, about the project and received positive feedback and expressions of interest. The Company has also reached out to many stakeholders, including the CHUH schools, adjacent property owners, and the Cedar Fairmount Special Improvement District and received positive feedback as well.

**Economic & Fiscal Impact:** The positive economic and fiscal impact of both proposed projects would be significant. Due to similarities in the scale and type of developments being proposed by the two teams, the likelihood of both concepts changing over time, uncertainties about the amount and form of public financial assistance required by each concept, and other factors, it is difficult to distinguish between the two concepts on the basis of economic impact.

**Development Schedule:** The project would occur in one phase and would be completed within 24 months of groundbreaking.

#### FLAHERTY & COLLINS PROPERTIES

*Qualifications:* Flaherty & Collins Properties has an exceptional history of recent, successful, large, mixed-use redevelopment projects in the Midwest, 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 seems to have the most in-house capabilities, including architecture, construction, property management, leasing, etc. While the Company has significant experience in and near Ohio, it has the least prior Cleveland area experience of the submitting teams. The Company maintains 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.

Since the July 11 presentation to Council, the Company has added Liberty Development of Cleveland as a partner in the development of the hotel and the office, retail, and restaurant spaces. Liberty would also develop the for-sale housing and would be deeply involved in identifying and securing tenants for the commercial space.

*Concept:* The Company's concept has evolved significantly since it was presented to Council on July 11. The currently proposed concept includes:

- 250 luxury apartments, a portion of which could be converted to condominiums in the future
- 25 townhomes/condominiums
- 30,000 square feet (SF) of first floor retail/restaurant space
- 20,000 SF of office
- A 110 room nationally-branded hotel
- 750 structured parking spaces

The Company indicates that the project would involve estimated hard construction costs of approximately \$75-85 million.

The Company indicates that the current concept would require tax increment financing (TIF), or other public financing sources, to fill a cost gap. The Company has also indicated that property tax exemption will not be required for the for-sale housing units.

*Approach:* The Company has demonstrated exceptional flexibility, patience, trustworthiness, transparency, and willingness to incorporate public input. As it has done for other projects, the Company would implement a process for ensuring diverse participation in the construction of the project. The Company's developments offer uniquely exceptional amenities to residents, including pools, immaculately landscaped courtyards, exercise facilities, bicycle storage and maintenance areas. The Company's development would offer a unique combination of location and amenities offerings not currently available in Northeast Ohio.

**Economic & Fiscal Impact:** The positive economic and fiscal impact of both proposed projects would be significant. Due to similarities in the scale and type of developments being proposed by the two teams, the likelihood of both concepts changing over time, uncertainties about the amount and form of public financial assistance required by each concept, and other factors, it is difficult to distinguish between the two concepts on the basis of economic impact.

**Development Schedule:** The project would occur in one phase and would be completed within 18-24 months of groundbreaking.

**STAFF RECOMMENDATIONS:**

The City has the opportunity to select the very best partner from two exceptionally qualified and respected development teams offering similar development concepts in terms of size, quality, and mix of uses. Staff recommends a comprehensive discussion of the review committee's findings at the Committee of the Whole meeting on September 12. Because each development team has provided confidential information, staff recommends that a portion of the discussion on September 12<sup>th</sup> be conducted in executive session to allow this confidential information to be shared.