



**DETROIT SHOREWAY COMMUNITY DEVELOPMENT ORGANIZATION**

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MEMO

DATE: January 13, 2014  
TO: SCFBC Housing Committee  
FROM: Greg Baron  
RE: Kredo Building Lofts



Strategic Importance of the Project:

This memorandum outlines the conceptual plan to acquire, redevelop and adaptively reuse the Kredo Building located at 3256 West 25<sup>th</sup> Street in the Clark-Fulton neighborhood. With the expansion of DSCDO's service area in 2010, this project will allow DSCDO/SCFBC to capitalize on real estate development opportunities in the expanded service area while furthering our mission of developing and expanding affordable housing opportunities. This potential project would be our first major development undertaking in the expanded area.

The Kredo Building, located on the corner of West 25<sup>th</sup> Street and Meyer Avenue, is strategically important, considering its close proximity to the Metro Health Hospital Campus. The Stockyard, Clark-Fulton, & Brooklyn Centre Community Development Office (SCFBC) has been engaged with Metro Health for the past two years, as the Hospital is currently undertaking a \$500 million capital campaign focused on campus and service consolidation. The West 25<sup>th</sup> Street Steering Committee was formed to determine how to leverage Metro Health's \$500 million investment. The Steering Committee is co-chaired by Chris Warren (City of Cleveland's Chief of Regional Development), Joel Ratner (President and CEO of Cleveland Neighborhood Progress, Inc.) and John Corlett (Metro Health's Vice President of Government Relations and Community Affairs). The rehabilitation of the Kredo Building will provide much needed affordable housing for Metro Health employees and residents of the Clark-Fulton neighborhood and will be considered an anchor on West 25<sup>th</sup> Street.

**PROJECT INFORMATION:**

- Address: 3256 West 25<sup>th</sup> Street, Cleveland, Ohio 44109
- Size: 42,660 sq. ft.
- Building History: The original structure was built in 1910 and was home to the Lions Knitting Mills Company
- Acquisition: DSCDO/SCFBC has executed an option to purchase the property for \$450,000
- Unit Configuration: DSCDO is estimating that 32,000 sq. ft. (75% of the buildings gross area) will be allocated as net rentable residential space. Our preliminary architectural plans show 22 one-bedroom units (652-904 sq. ft.) and 14 two-bedroom units (850-1,005 sq. ft.)
- Rents:
  - 3 one-bedroom units - \$275 per month (30% AMI)
  - 1 two-bedroom unit - \$335 per month (30% AMI)
  - 19 one-bedroom units - \$495 per month (60% AMI)
  - 13 two-bedroom units - \$575 per month (60% AMI)
- Financing: DSCDO plans to submit an application in February for 9% Low-Income Housing Tax Credits (LITHC). The property is located in a Qualified Census Tract (QTC), which will provide additional equity for the project. Our preliminary scoring shows that the project will score high in the competitive process. Additionally, DSCDO will plan to secure Federal Historic Tax Credits (HTC), Housing Development Assistant Program Funds from OHFA and City HOME funding.

**DEVELOPMENT BUDGET:**

<b>Sources:</b>		<b>Uses:</b>	
Low-Income Equity	\$ 5,943,010	Acquisition	\$ 450,000
Federal Historic Equity	\$ 1,369,065	Hard Construction	\$ 5,592,384
City HTF	\$ 600,000	Construction Contingency	\$ 480,000
State HDAP	\$ 500,000	Soft Costs	\$ 1,137,996
Deferred Fee	\$ 198,305	Developer Fee	\$ 950,000
<b>TOTAL</b>	<b>\$ 8,610,380</b>		<b>\$ 8,610,380</b>

- The Kredo Building is very similar to the Templin-Bradley Building in size and scope of work needed for the adaptive re-use. Although, the Kredo Building is currently in better interior and exterior condition and will likely be less expensive upon further development of cost estimates.
- Hard construction costs are estimated at \$120 per square foot (similar to Templin-Bradley Co. Lofts)
- DSCDO has factored in \$25,000 for tenant relocation in the development budget
- **DSCDO has assumed a tax-credit investment rate of 7.59% (the current November rate). If Congress locks in the rate at 9%, an additional estimated \$1,100,000 in equity will be made available to the project allowing the elimination of some competitive soft funding sources.**
- Tax Credit Investment Rate = \$.90 for Federal Historic Tax Credits, \$.93 for LITHC

**OPERATING BUDGET:**

REVENUE:

Gross Revenue:	\$	216,480	
(Less Vacancy/Rent Loss)	\$	(15,153)	(7% vacancy assumption)
Other Revenue	\$	5,400	(damages, late fees, etc...)
<b>Net Revenue:</b>	<b>\$</b>	<b>206,727</b>	

EXPENSES:

Administrative	\$	38,551	(management fees, legal fees, audit fees, etc.)
Utilities	\$	43,200	(sewer, water, common area electricity and gas)
Maintenance	\$	56,500	
Taxes and Insurance	\$	27,606	
Replacement Reserves	\$	14,400	(\$400 per unit)
<b>Total Expenses</b>	<b>\$</b>	<b>180,257</b>	<b>(\$5,007 per unit)</b>

**NET OPERATING INCOME**      \$      **26,470**

(Less Debt Service)      \$      (0)  
**CASHFLOW**      \$      **26,470**