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INTRODUCTION

STAKEHOLDER ENGAGEMENT

MARKET ANALYSIS

MALL REDEVELOPMENT BEST PRACTICES

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Introduction Cleveland Heights & NRN Assessment

The National Resource Network (“NRN”) develops and delivers innovative solutions to American cities to help them address their toughest economic challenges. The Network works with local leaders to identify practical solutions, share real-world expertise and best practices, and help cities develop the tools and strategies they need to grow their economies.

Funded with $10 million from the U.S. Department of Housing and Urban Development (HUD), the Network leverages the expertise, partnerships, and resources of the public and private sectors to help cities comprehensively tackle their most pressing challenges. The Network provides cities with customized tools and recommendations to build strategic partnerships, strengthen their economic competitiveness, and mobilize public and private sector resources. The Network provides three core services: 1) direct assistance to cities, 2) access to peer city networks and new ideas, and 3) on-line- on-demand access to expertise.

The NRN consortium includes leading experts and practitioners from the private and nonprofit sectors as well as academia who work with city leaders every day to address their greatest economic needs. HUD selected these experts through a national competition. The Network team supporting the City of Cleveland Heights includes:

Note: Enterprise Community Partners, a member of the NRN Consortium, is also supporting Cleveland Heights through analysis and potential for a Community Development Corporation.
Introduction NRN Assessment

The National Resource Network Assessment Process
The National Resource Network conducts an initial assessment process with eligible cities to identify and develop engagements that respond to the city’s core challenges and strengthen the city’s ability to grow economically or to reduce poverty. Cleveland Heights submitted a Request for Assistance (RFA) to the National Resource Network in December, 2015. Following a review of the RFA application and supplemental materials, as well as a call with the Mayor and City officials on January 21, 2016, the National Resource Network accepted the City’s application and initiated an assessment of core challenges and opportunities. Key findings from NRN’s initial assessment of Cleveland Heights are summarized below:

Key NRN Assessment Findings
• **The City of Cleveland Heights has strong executive leadership.** The Mayor and City Manager are engaged and actively seeking creative solutions to attract development and residents in order to improve the City’s financial position. In addition, community stakeholders and residents expressed notable commitments to Cleveland Heights and are aware and concerned about the declining population. Cleveland Heights also benefits from strong physical assets such as multiple traditional retail ‘main streets’ and an attractive housing stock that gives the city a unique character.

• **Cleveland Heights faces significant fiscal hurdles.** Challenging macro-economic conditions in Cuyahoga County significantly affect Cleveland Heights. Between 2000 and 2013, the Countywide population declined by 8.7 percent with the City similarly losing 8.2 percent of residents over the same period. Populations losses put additional stress on the City’s finances as the City of Cleveland Heights receives 55 percent of revenues from income taxes and 17 percent from property taxes. The City also faces a structural deficit despite a recent increase in the income tax rate. In addition to fiscal challenges, the number of residents living in poverty grew by 70.6 percent between 2000 and 2013. Multiple stakeholders noted a regional trend of residents moving out of Cleveland Heights to wealthier communities, stating that Cleveland Heights is gaining poorer residents from Cleveland and losing wealthier residents to outlying suburbs.
Key NRN Assessment Findings (continued)

• The housing stock in Cleveland Heights is attractive but due to age will require substantial investment to maintain. The median year of construction is 1939 and just 310 houses were built since 2000. The assessment team visually observed many houses that will soon require significant investment to bring them up to modern standards. City leaders believe that the lack of new housing product limits the appeal of Cleveland Heights for young professionals.

• The City has an effective code enforcement unit and has demolished many abandoned homes to prevent blight. These properties, spread throughout the city, are now empty, well-maintained grass lots. However, a review of available properties in Cleveland Heights revealed that some vacant lots are available for less than $5,000, indicating that there is little market demand. Although the City is effectively preventing blight, it does not have a plan to return these properties to productive use.

• Cleveland Heights is adjacent to University Circle, a neighborhood where employment at nationally recognized universities and hospitals is growing rapidly. University Circle Inc., a development, service, and advocacy organization dedicated to University Circle, implemented a long-term redevelopment plan for the neighborhood that resulted in substantial development of market-rate housing, retail, office, and research space.

• Development of single family housing targeting young professionals on underutilized properties in Cleveland Heights could help stabilize the population and improve the City’s finances, as well as meet the demand for new and convenient housing for young professionals working in University Circle. The distressed 64 acre Severance Town Center mall is a potential site for long-term redevelopment that fulfills these objectives.

Source: National Resource Network.
During NRN’s assessment visit, the Network team determined that the City should pursue an engagement with NRN, comprised of two major tasks: redevelopment and owner engagement strategies for Severance Town Center, and financial management executive coaching. The Network and the City of Cleveland Heights subsequently collaborated on a scope of work for the engagement that would meet the needs of the City. The engagement is funded 75 percent by NRN and 25 percent by the City of Cleveland Heights.

This report focuses on HR&A Advisors’ analysis for the City of Cleveland Heights

Note: Enterprise Community Partners, a member of the NRN Consortium, is also supporting Cleveland Heights through analysis and potential for a Community Development Corporation.
HR&A’s scope of work was comprised of a development feasibility analysis for development opportunities at Severance Town Center, including an owner engagement strategy to engage the owner and identify a feasible path forward to implement a project on the site. HR&A’s process is outlined in detail below:

**Stakeholder Engagement**
Engage local real estate developers, brokers, and other real estate stakeholders who may influence or impact redevelopment at Severance.

**Owner Engagement**
Armed with information and analysis completed in earlier stages of HR&A’s work, engage Namdar to discuss plans for the site and options for redevelopment.

**Market Analysis**
Perform a detailed analysis of market potential in Cleveland Heights, examining residential, office and retail sectors.

**Site Analysis**
Perform a high level assessment of development potential on the Severance Town Center site; identify if and where development could and should feasibly occur.

**Financial Analysis**
Combine findings from previous analysis to identify a financially feasible development program for the Severance site.

**Redevelopment & Engagement Plan**
Stakeholder Engagement HR&A Findings

As the first step in HR&A’s engagement with the City of Cleveland Heights, team members traveled to Cleveland Heights for a kick off meeting to meet staff, discuss goals for the project, tour the site and the neighborhood, and engage local real estate stakeholders. This stakeholder engagement included targeted interviews with local real estate experts, building on more extensive interviews conducted with a broader group of stakeholders during NRN’s assessment.

HR&A’s stakeholder engagement was primarily focused on local stakeholders with expertise in the local real estate market, access to sources of potential future redevelopment funding at the site, or interest in redevelopment at the site. HR&A’s targeted outreach included interviews or conversations with the following groups:

**Real Estate Experts**
- NRP Group
- Fairmount Properties
- Liberty Development Corporation
- The Orlean Company
- The Finch Group
- Judson Retirement Living
- Cushman & Wakefield (CRESKO)
- Hanna Commercial Real Estate
- Passov Real Estate Group
- Ice Miller Legal Counsel

**Local Organizations**
- University Circle, Inc.
- Cleveland Film Commission

**County and State Agencies**
- JobsOhio
- Ohio Development Services Agency (OSDA)
- Cuyahoga County Planning Commission
- Ohio Department of Transportation (DOT)
- Ohio Department of Natural Resources (DNR)

Source: HR&A Advisors.
Stakeholder Engagement Community Goals

Through HR&A’s initial review of existing City plans and engagement with Cleveland Heights staff, HR&A identified a number of high-level community goals to guide redevelopment planning at the Severance site. High-level goals identified include:

- Redevelopment or programming at Severance should serve as an **economic catalyst for the community**
- Redevelopment of the site should incorporate **public space that promotes an active lifestyle**
- New residential development at the site should include **intergenerational housing**
- Cleveland Height’s **arts and culture** should be integrated in the site
- Redevelopment should seek to **celebrate local diversity**

Source: HR&A Advisors.
Interviews with local real estate experts provided the HR&A team with context and initial guidance for the more detailed market analysis to follow. Key takeaways from initial stakeholder interviews include:

- There are very strong community assets in Cleveland Heights, the City is known as a beautiful bedroom community to the City of Cleveland.

- The City is near University Circle, a major employment center for the region, a cultural hub, and home to many of the area’s renowned anchor institutions.

- Market pricing is challenging for new construction in Cleveland Heights.

- The perception of the Severance Town center site requires a wholesale repositioning, though some existing retail maintains a strong local draw and may be an asset to redevelopment (e.g., Home Depot, Dave’s Market).

- Severance is a vital site in the City and potential community asset.
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Market Analysis

HR&A performed a detailed market analysis for Cleveland Heights, focused on Severance Town Center, while accounting for broader market dynamics in the Cleveland Heights and greater Cleveland region. This market scan seeks to understand the feasibility and scale of potential development at Severance, and to inform concept development options at the site.

Market data evaluated as part of HR&A’s analysis includes:
• Demographic trends that influence demand, such as population growth and migration patterns
• Current supply of existing residential, retail and office product
• Development pipeline for residential, office and retail development in Cleveland Heights
• Current vacancy rates across existing supply
• Recent and historic absorption for various uses
• Rental and for sale pricing

The following analysis sources data from various databases such as CoStar, the US Census, Bureau of Labor Statistics (BLS), US Internal Revenue Service (IRS) Migration Tax Statistics, and from relevant data available from the City of Cleveland Heights, Cayuhoga County, and State of Ohio. HR&A’s market analysis examines the following real estate uses:
• Residential
• Retail
• Office
Retail

The City has seen limited retail development over the past 10 years.

Retail Development History (Square Feet), Cleveland Heights Study Area 2006 - 2016

- Walmart’s relocation in 2013 to Oakwood Commons marks the most recent, major new development of retail in the Cleveland Heights Study Area.

Source: CoStar Realty Services.
Note: Cleveland Heights Study Area includes major retail properties just outside Cleveland Heights City limits.
Retail

Retail vacancy in Cleveland Heights has slowly declined in recent years, while University Circle has seen new lows for retail vacancy.

![Retail Space Vacancy Chart, Cleveland Heights Study Area, 2006 - 2016](chart)

- Despite declines in vacancy at University Circle, based on input from local stakeholder, portions of the retail market there have struggled due to the nature of the typical medical worker in that neighborhood; this may shift as additional residential product comes online.

Source: CoStar Realty Services.
Note: Cleveland Heights Study Area includes major retail properties just outside Cleveland Heights City limits.
Retail rents in Cleveland Heights have remained relatively flat, with modest increases lately.

- Relatively flat rental rates indicate demand has remained modest as of late.

Source: CoStar Realty Services.
Note: Cleveland Heights Study Area includes major retail properties just outside Cleveland Heights City limits.
A retail gap analysis examines the dynamics of local resident demand based on income and spending patterns, as compared to supply of existing retail.

**Surplus**

Supply > Demand

Study area is over-supplied in retail; households may be traveling into the study area for retail needs.

**Leakage**

Supply < Demand

Study area is under-supplied in retail; residents are traveling outside the study area to satisfy retail needs.
HR&A examined retail potential within a 10 minute drive-time of Severance Town Center, which revealed there are some categories of retail leakage.

<table>
<thead>
<tr>
<th>Category</th>
<th>Total Demand</th>
<th>Total Supply</th>
<th>Retail Gap</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Convenience Goods</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Grocery Stores</td>
<td>$190.0</td>
<td>$178.2</td>
<td>$11.8</td>
</tr>
<tr>
<td>Beer, Wine &amp; Liquor Stores</td>
<td>$8.1</td>
<td>$1.9</td>
<td>$6.3</td>
</tr>
<tr>
<td>General Merchandise Stores</td>
<td>$210.0</td>
<td>$241.7</td>
<td>-$31.7</td>
</tr>
<tr>
<td>Restaurants/Other Eating Places</td>
<td>$113.0</td>
<td>$109.3</td>
<td>$3.8</td>
</tr>
<tr>
<td>Drinking Places - Alcoholic Beverages</td>
<td>$4.4</td>
<td>$5.7</td>
<td>-$1.4</td>
</tr>
<tr>
<td>Health &amp; Personal Care Stores</td>
<td>$80.2</td>
<td>$52.5</td>
<td>$27.7</td>
</tr>
<tr>
<td>Miscellaneous Store Retailers</td>
<td>$56.6</td>
<td>$31.1</td>
<td>$25.5</td>
</tr>
<tr>
<td><strong>Subtotal ( Millions)</strong></td>
<td><strong>$662.3</strong></td>
<td><strong>$620.3</strong></td>
<td><strong>$42.0</strong></td>
</tr>
</tbody>
</table>

| **Comparison Goods**                         |              |              |            |
| Furniture & Home Furnishings Stores          | $31.5        | $23.4        | $8.1       |
| Clothing & Clothing Accessories Stores       | $49.3        | $42.3        | $7.0       |
| Sporting Goods, Hobby, Book & Music Stores   | $24.2        | $18.5        | $5.7       |
| Special Food Services                        | $3.3         | $8.1         | -$4.8      |
| Electronics & Appliance Stores              | $58.0        | $15.6        | $42.4      |
| Bldg Materials, Garden Equip. & Supply Stores| $71.4        | $34.6        | $36.8      |
| **Subtotal ( Millions)**                     | **$237.8**   | **$142.6**   | **$95.3**  |

Source: Esri, HR&A stakeholder engagement.
However, there is significant existing “big box” retail within a short drive of Severance Town Center.
## Retail

There may be an opportunity for neighborhood scale or experience retail to service new, repositioned development at Severance.

### Supportable Square Footage

<table>
<thead>
<tr>
<th>Convenience Goods</th>
<th>Low</th>
<th>High</th>
</tr>
</thead>
<tbody>
<tr>
<td>Grocery Stores</td>
<td>3,500</td>
<td>4,000</td>
</tr>
<tr>
<td>Beer, Wine &amp; Liquor Stores</td>
<td>2,700</td>
<td>3,100</td>
</tr>
<tr>
<td>General Merchandise Stores</td>
<td>--</td>
<td>--</td>
</tr>
<tr>
<td>Restaurants/Other Eating Places</td>
<td>1,700</td>
<td>1,900</td>
</tr>
<tr>
<td>Drinking Places - Alcoholic Beverages</td>
<td>--</td>
<td>--</td>
</tr>
<tr>
<td>Health &amp; Personal Care Stores</td>
<td>9,700</td>
<td>11,100</td>
</tr>
<tr>
<td>Miscellaneous Store Retailers</td>
<td>17,000</td>
<td>19,400</td>
</tr>
<tr>
<td><strong>Subtotal</strong></td>
<td><strong>34,600</strong></td>
<td><strong>39,500</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Comparison Goods</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Subtotal</strong></td>
<td><strong>9,800</strong></td>
<td><strong>13,300</strong></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>44,400</strong></td>
<td><strong>52,800</strong></td>
</tr>
</tbody>
</table>

Supportable square footage based on estimated capture rate of Severance site relative to overall retail demand within a 20 minute drive-time of Severance Town Center.
Convenience goods, experience retail, and entertainment uses should be supported by unique public space to create a sense of place at Severance.

Summary Retail Findings

Service Local Demand

Convenience Health/Personal Care

Neighborhood Restaurant

Create Destination and Sense of Place

Unique Theater or Activity Retail

Public Market/Open Space
MARKET ANALYSIS

RETAIL

OFFICE

RESIDENTIAL
Office development in Cleveland Heights and the broader Cleveland area has been limited over the past decade.

Office Development History
Cleveland Heights since 1980, as of 2016

- Cleveland Heights saw development of the Kaiser Permanente Health facilities in the late 1990’s.

- The only major office development that has occurred in the region has been near Downtown Cleveland; University Circle has seen modest office development, the majority of which is connected to major existing anchors at the Circle.

Source: CoStar Realty Services.
Office

Office space vacancy in the City has remained low.

Office Space Vacancy
Cleveland Heights, 2000-2017

Source: CoStar Realty Services.
CoStar office data as of 1Q 2017.
Office space pricing in Cleveland Heights has remained relatively flat over the past several years.

Office Rents per Square Foot, 2000-2017

- Office rents in Cleveland Heights and University Circle have consistently averaged $15/SF; Downtown Cleveland, where the only recent office development has occurred, achieves rent averaging $19/SF or higher.

Source: CoStar Realty Services.
CoStar office data as of 1Q 2017.
The City maintains a lower unemployment rate as compared to the County and broader MSA, supported by nearby employments centers.
HR&A examined growth in office-occupying job industries across the MSA to estimate expected growth in office space demand.

### Job Growth Projections for Select Industries

**Cleveland Metropolitan Statistical Area (MSA)**

<table>
<thead>
<tr>
<th>Industry</th>
<th>Projected Annual Growth Rate (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Construction</td>
<td>2.5%</td>
</tr>
<tr>
<td>Health Care and Social Assistance</td>
<td>1.7%</td>
</tr>
<tr>
<td>Professional and Technical Services</td>
<td>1.4%</td>
</tr>
<tr>
<td>Administrative and Waste Services</td>
<td>1.4%</td>
</tr>
<tr>
<td>Transportation and Warehousing</td>
<td>1.0%</td>
</tr>
<tr>
<td>Wholesale Trade</td>
<td>1.0%</td>
</tr>
<tr>
<td>Educational Services</td>
<td>0.9%</td>
</tr>
<tr>
<td>Real Estate and Rental and Leasing</td>
<td>0.8%</td>
</tr>
<tr>
<td>Accommodation and Food Services</td>
<td>0.8%</td>
</tr>
<tr>
<td>Arts, Entertainment and Recreation</td>
<td>0.5%</td>
</tr>
<tr>
<td>Finance and Insurance</td>
<td>0.5%</td>
</tr>
<tr>
<td>Management of Companies and Enterprises</td>
<td>0.3%</td>
</tr>
<tr>
<td>Retail Trade</td>
<td>-0.1%</td>
</tr>
<tr>
<td>Information</td>
<td>-0.6%</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>-0.7%</td>
</tr>
<tr>
<td>Utilities</td>
<td>-1.8%</td>
</tr>
<tr>
<td><strong>Total All Industries</strong></td>
<td><strong>0.8%</strong></td>
</tr>
</tbody>
</table>

Source: Bureau of Labor Statistics (BLS), Ohio Labor Market Information (LMI)
Office

Based on Cleveland Height’s “fair share” capture of MSA job growth, there is modest demand for projected office space over the next 5 years.

### Projected Office-Occupying Job Growth

**Cleveland-Elyria-Mentor Metropolitan Statistical Area (MSA)**

<table>
<thead>
<tr>
<th>Office-occupying Industry</th>
<th>Projected Annual Job Growth</th>
<th>Net Annual MSA Job Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>Professional, Scientific, and Technical Services</td>
<td>1.4%</td>
<td>380</td>
</tr>
<tr>
<td>Real Estate and Rental and Leasing</td>
<td>0.8%</td>
<td>133</td>
</tr>
<tr>
<td>Finance and Insurance</td>
<td>0.5%</td>
<td>222</td>
</tr>
<tr>
<td>Management of Companies and Enterprises</td>
<td>0.3%</td>
<td>68</td>
</tr>
<tr>
<td>Information</td>
<td>(0.6%)</td>
<td>-83</td>
</tr>
</tbody>
</table>

**Cleveland Heights “Fair Share” of Annual Job Growth:** 6 – 9 jobs

**Capture of Projected Annual Office Space Demand:** 1,300 – 2,100 SF


* Represents projections for the Cleveland-Elyria-Mentor MSA, which comprises 5 counties including: Cuyahoga, Geauga, Lake, Lorain, and Medina counties.

Note: Cleveland Heights “fair share” of projected growth is based on the City’s current share of regional office space. Selection of office-occupying industries based on HR&A’s standard assumptions. Analysis assumes 225 square feet of office space per job added.
Summary Office Findings

• The Cleveland region is projected to see modest growth in office-occupying sectors, with targeted growth to occur in existing employment centers.

• Office development at Severance would be highly contingent on attracting and securing a major anchor tenant.

• Through repositioning at Severance, future development may be able to increase capture of projected regional job growth.
## Population Change (2000-2016)

<table>
<thead>
<tr>
<th>Area</th>
<th>Population Change (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>CLEVELAND HEIGHTS</td>
<td>-0.5%</td>
</tr>
<tr>
<td>CUYAHOGA COUNTY</td>
<td>-0.6%</td>
</tr>
<tr>
<td>CLEVELAND MSA</td>
<td>-0.2%</td>
</tr>
</tbody>
</table>

- Population decline in Cleveland Heights has tracked growth trends across the broader County.

Growth projections indicate continued population decline across the region.

### Projected Growth in Population (2016 - 2021)

<table>
<thead>
<tr>
<th>Location</th>
<th>Growth Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cleveland Heights</td>
<td>-0.6%</td>
</tr>
<tr>
<td>Cuyahoga County</td>
<td>-1.4%</td>
</tr>
<tr>
<td>Cleveland MSA</td>
<td>-0.4%</td>
</tr>
</tbody>
</table>

Residential

However, consistent with broader demographic trends, Cleveland Heights is projected to see growth in elderly populations over the next 5 years.

**Growth by Age Group**

<table>
<thead>
<tr>
<th>Age Cohort</th>
<th>Projected Growth (5 yrs, 2016-2021)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Under 20</td>
<td>-3%</td>
</tr>
<tr>
<td>20 – 34</td>
<td>-2%</td>
</tr>
<tr>
<td>35 – 54</td>
<td>-2%</td>
</tr>
<tr>
<td>55 - 64</td>
<td>-9%</td>
</tr>
<tr>
<td>65 and over</td>
<td>13%</td>
</tr>
</tbody>
</table>

- The greatest growth is also projected to come from households earning over $75,000 per year.

**Growth by Income Cohort**

<table>
<thead>
<tr>
<th>Income Bracket</th>
<th>Projected Growth (5 yrs, 2016-2021)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than $35k</td>
<td>-1%</td>
</tr>
<tr>
<td>$35k - $74k</td>
<td>-13%</td>
</tr>
<tr>
<td>$75k - $99k</td>
<td>8%</td>
</tr>
<tr>
<td>$100k and above</td>
<td>16%</td>
</tr>
</tbody>
</table>

Residential

Apartment vacancy in Cleveland Heights has remained low.

- There are over 600 apartment units currently under construction in University Circle, which will impact vacancy rates in Cleveland Heights going forward.

Residential

Rental rates in Cleveland Heights have remained flat over the past decade.

Average Rental Apartment Pricing, 2000-2016

- Top-of-market rental product in Cleveland Heights achieves rental rates at $1.60/SF or approximately $1,275/month.
- Recent product delivered in University Circle since 2010, averages rental rates above $1.80/SF.

Source: CoStar, Esri, Inc.
Residential

For sale residential product near Severance Town Center has performed well post-recession.

- Some of the most attractive, recent for sale residential development in Cleveland Heights was built near Severance Town Center at Bluestone.

- Overall there has been limited development of for sale product in the region, with University Circle only now seeing interest, closer to Downtown Cleveland.

Source: CoStar, Esri, Inc.
Residential

HR&A has examined residential demand from two sources: turnover of existing residents and growth projected across the City.

Turnover

Demand from turnover of existing Cleveland Heights residents.

Growth

New demand from projected growth in the City and surrounding region.
Supportable demand is segmented by likelihood to rent versus likelihood to own, based on target local pricing and required income to support pricing.

**Target Residents by Income**

<table>
<thead>
<tr>
<th>Target Rental Households</th>
<th>Target Buyer Households</th>
</tr>
</thead>
<tbody>
<tr>
<td>$50,000 to $74,999</td>
<td>$75,000 to $99,000</td>
</tr>
<tr>
<td>Target tenant income based on comparable apartment pricing beginning at $1,275/month</td>
<td>Target buyer income based on current condo sales beginning at $230,000</td>
</tr>
</tbody>
</table>

Note: Required annual target buyer income assumes mortgage values with 15% down payment and 3% closing costs factored in. Mortgage calculated based on 4.25% interest rate, 30 year term; additional ownership costs include property taxes at Cleveland Heights rate of $88.12 per $1000 and property insurance at 0.75% of total home value.
Residential

The City is projected to see turnover demand for nearly 250 residential units on an annual basis, across rental and owner households.

<table>
<thead>
<tr>
<th>Age of Head of Household</th>
<th>Rental Households</th>
<th>Owner Households</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Turnover Rate: 29%</td>
<td>Turnover Rate: 6%</td>
</tr>
<tr>
<td>&lt; 25</td>
<td>17</td>
<td>0</td>
</tr>
<tr>
<td>25-34</td>
<td>57</td>
<td>7</td>
</tr>
<tr>
<td>35-44</td>
<td>33</td>
<td>11</td>
</tr>
<tr>
<td>45-54</td>
<td>23</td>
<td>14</td>
</tr>
<tr>
<td>55-64</td>
<td>30</td>
<td>18</td>
</tr>
<tr>
<td>65-74</td>
<td>14</td>
<td>12</td>
</tr>
<tr>
<td>75+</td>
<td>5</td>
<td>6</td>
</tr>
</tbody>
</table>

Households 178 68

Source: Esri, Inc., US Census American Community Survey
* Annual household demand based on portion of households expected to rent or own based on US Census American Community Survey measure of Cleveland Heights housing tenure by household income and housing tenure by age of household. Turnover rate based on US Census American Community Survey estimate of Cleveland Heights resident mobility by tenure.
As a result of muted projected growth, the City is only expected to see demand for less than 30 new households on an annual basis.

<table>
<thead>
<tr>
<th>Age of Head of Household</th>
<th>Rental Households</th>
<th>Owner Households</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt; 25</td>
<td>1</td>
<td>--</td>
</tr>
<tr>
<td>25-34</td>
<td>4</td>
<td>3</td>
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<tr>
<td>35-44</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>45-54</td>
<td>--</td>
<td>1</td>
</tr>
<tr>
<td>55-64</td>
<td>(1)</td>
<td>(3)</td>
</tr>
<tr>
<td>65-74</td>
<td>2</td>
<td>10</td>
</tr>
<tr>
<td>75+</td>
<td>1</td>
<td>6</td>
</tr>
</tbody>
</table>

Households | 8 | 19 |

* Annual household demand based on portion of households expected to rent or own based on US Census American Community Survey measure of Cleveland Heights housing tenure by household income and housing tenure by age of householder.
Based on turnover and projected growth, the City of Cleveland Heights is expected to see targeted annual demand of 273 housing units.

### Source of Demand

<table>
<thead>
<tr>
<th></th>
<th>Annual Residential Household Demand</th>
<th>Cleveland Heights</th>
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<tr>
<td></td>
<td>Rental</td>
<td>Owner</td>
</tr>
<tr>
<td>Turnover:</td>
<td>178</td>
<td>68</td>
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<tr>
<td>Demand from existing resident turnover</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Growth:</td>
<td>8</td>
<td>19</td>
</tr>
<tr>
<td>Demand from new residential units added</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Housing Units</td>
<td>186 units</td>
<td>87 units</td>
</tr>
</tbody>
</table>

Residential

By repositioning Severance Town Center as a mixed use center, the site may be able to increase capture of growth projected elsewhere in the MSA.

Projected Population Change by Census Tract (2016 - 2021)
Summary Residential Findings

• Consistent with broader trends, the City is projected to see growth among an older demographic and in households earning relatively higher incomes.

• The ability to capture growth in this population segment is contingent on creating walkable development that is in close proximity to vibrant public space, as well as convenience and experience retail.

• Redevelopment of the Severance site requires a complete repositioning and re-branding to allow for new mixed-use development and increased capture of limited regional population growth.
INTRODUCTION

STAKEHOLDER ENGAGEMENT

MARKET ANALYSIS

MALL REDEVELOPMENT BEST PRACTICES

OPPORTUNITY FOR REDEVELOPMENT

OWNER ENGAGEMENT
Case Study Analysis | Catalytic redevelopment projects which utilized innovative tools to revitalize.

HR&A evaluated five redevelopment case studies to inform redevelopment recommendations for Severance Town Center. Two examples are intended to be ‘aspirational’, where immediate local market or site conditions at these projects are not directly comparable to Cleveland Heights, though best practices still apply. Three ‘comparable’ case studies were examined which serve as more direct comparable projects to the circumstances in Cleveland Heights.

<table>
<thead>
<tr>
<th>Aspirational</th>
<th>Comparable</th>
</tr>
</thead>
<tbody>
<tr>
<td>Crocker Park, Westlake, OH</td>
<td>Marketplace at Steamtown, Scranton, PA</td>
</tr>
<tr>
<td>Van Aiken District, Shaker Heights, OH</td>
<td>Shoppes at Parma, OH</td>
</tr>
<tr>
<td>Land Area (Acres)</td>
<td>75</td>
</tr>
</tbody>
</table>

HR&A Advisors, Inc.
Background

The Crocker Park mixed-use lifestyle center is located in the affluent Westlake neighborhood.

Crocker Park is located 30 minutes west of Downtown Cleveland and lies just south of I-90. The 75-acre development is the largest development in the city’s history. The first portion of Phase I opened in 2004 and included over one million sf of housing, restaurants, retail, office, and civic space. The success of this first phase was apparent as voters approved TIF funding for the second phase after just 70% of Phase I was completed. Phase II added an additional 400,000 square feet of retail space and apartments bringing the total development to above two million square feet.

Continued success led the American Greetings Corporation to build their new headquarters in Crocker Park as part of Phase III, beginning in 2014. To facilitate this move, the city created a TIF to fund infrastructure investments including $48 million in state bonds and $8 million in state infrastructure bonds. Phase III, includes 338 luxury apartments, a 110 room Hyatt Hotel, over 150,000 square feet of retail space and Market Square civic center, featuring 8,000 square feet of event space and a half-acre lawn owned by the City, bringing the site to 2.5 million square feet.
Best Practices

Crocker Park leverages public open space with year round programming.

The success and continued expansion of Crocker Park highlights several best practices:

▪ The development is centered around a main boulevard made up of a park and civic open space.

▪ This main artery is a linear park programmed throughout the year with yoga, dance lessons, a farmers market, outdoor movies, art festivals etc., creating a constant year-round flow of activity.

▪ Crocker park offers a range of residential development from integrated apartments above ground floor retail, to luxury condos, townhomes and single family homes.

▪ American Greetings Corporation HQ brought over 2,000 new jobs to Crocker Park as part of the Phase III expansion.

▪ Public-private partnerships provided significant funding sources for development. Key financing sources have included: TIF, Port Authority Bonds, Department of Transportation (DOT) grants, a state infrastructure bond, commercial bank loans, and foreign investment.
Outcome

Millions shop, work and live at Crocker Park.

97% Retail and residential occupancy

20 million Visitors annually

Source: Cleveland International Fund
The Van Aken District is located southeast of Downtown Cleveland in one of the City’s first-ring suburbs.

The Van Aken District ("Van Aken") is located in Shaker Heights, just eight miles south east of Cleveland. It is the terminus of the Regional Transit Authority (RTA) blue line and hub for four bus routes and several main roads.

The District was first identified for re-envisioning through public input collected to inform the city’s Strategic Investment Plan, in 2000. Subsequent city plans in 2008 and 2010 reaffirmed the redevelopment vision and identified tools necessary to support the redevelopment. At the time, office development was stagnant and the neighborhood was seeking ways to support further growth and expand their tax base. The development of Van Aken was seen as necessary to attract new businesses to Shaker Heights in the future.

Despite significant financial hurdles including higher tax rates than neighboring areas, lack of access to grants and tools available to inner city areas, and significant overhead for demolition which would result from lack of investment for the preceding half century, the city was able to enter into negotiations with developers in 2012 due to significant city, school district, and resident support. The city and development company RMS Investment Corporation entered into a MOU and began development in 2013.

**Drivetime Trade Area**

Strong public-private partnerships helped redevelop the site into a mixed-use district.

In order to make the vision for the Van Aken District a reality, successive city planning efforts, district rebranding and marketing, as well as substantial neighborhood and public sector support all played an important role.

Redevelopment hinged on access to public funding sources including tax increment financing (TIF), low interest State and County loans, grants from the City and support from the Cuyahoga County Port Authority in order to leverage private investment. In total, $18 million in public funding was able to support $78 million in private investment.

Phase I of the Van Aken District is underway and is projected to cost nearly $100 million. This will include demolition of the Van Aken Shopping Center (moving tenants to the adjacent strip center), and the addition of 100 luxury apartment units, a 20,000 square foot food hall, 60,000 square feet of office space, 100,000 square feet of restaurant and retail space, as well as several parks, plazas and terraces accounting for 1/3 of the project, on 7.5 acres. While development is underway, they have successfully reactivated the site through temporary programing such as street food festivals, beer gardens and pop-up markets at the Strip Center across the street.
Outcome

The Van Aken District is estimated to open in Summer 2018.

80% Office space leased
2018 Anticipated Phase I completion date

Source: Economic Crains Cleveland
The Marketplace at Steamtown is located in downtown Scranton, a City struggling with job and population loss.

The Marketplace at Steamtown is an enclosed mall located in the heart of Scranton, PA. The mall is walking distance to the commercial core, City Hall, and Scranton University. The site includes over 500,000 square feet of retail space.

The City faces a number of challenges including high tax rates compared to neighboring jurisdictions, poor connectivity, and continued job loss which has resulted in a lack of residential population growth over the last two decades.

The Mall at Steamtown was built in 1993 as a token downtown revitalization project in a challenging part of town. The mall was built by Al Boscov and anchored by Boscov’s department store. However, by 2014 many of the mall’s major tenants began vacating their space and it went into foreclosure. As a result, a string of smaller retailers also chose not to renew their leases, and the mall foreclosed that year. In 2015, local businessman John Basakyga purchased the mall.

Source: Esri 2017, 15-minute drive shed, Scranton Times-Tribune
In order to turn around the failing mall, the owner has focused on attracting a wide mix of unique retailers and non-retail tenants including:

- Community College branch
- Library branch
- Fitness center
- Medical office
- Market-style food hall
- Bistro movie theatre
- Kids play area
- Aquarium (planned)

Source: Scranton Times-Tribune
Best Practices

A wide mix of tenants and new activity is helping turn around the mall, which is 95% leased.

Source: University of Scranton

Source: Hemmier + Camyad

Source: Iron Horse Bistro

Source: Scranton Times-Tribune

Source: CoStar

Source: University of Scranton

Source: Scranton Times-Tribune

Source: Wbre
Background

Parma is a first ring suburb of Cleveland, with an older resident population and access to major highways.

The Parmatown Mall was build in 1956 and is located eight miles southwest of downtown Cleveland, south of I-480, between I-71 and I-77. Declining revenues led the mall to fall into receivership in 2011. In 2012 Phillips Edison & Co. (PECO) purchased the mall and began repositioning it into an open air shopping center called the Shoppes at Parma.

In May 2015, PECO Real Estate Partners (PREP, the new ownership entity of PECO) incorporated Phillips Edison & Co’s development and strategic retail divisions including this site. At the same time the city approved modifications to the development planning allowing for continued redevelopment under PREP.

Drivetime Trade Area

Source: Esri 2017, 15-minute drive shed, Shoppes at Parma Fact Sheet, WNEP, Crains Cleveland
The Shoppes at Parma has maintained some of the original shopping plaza built in 1956 but added new exterior store fronts, as well as new landscaping and gathering areas. The original structure has been turned into three separate buildings and they have added one new building. This made space for additional pedestrian access and courtyards. Major anchors today include a number of big-box retailers, as well as Marc's grocery store and JC Penny.

In addition to traditional retail, other tenants include an Urgent Care center, dental office, a fitness center and an 87-unit senior living community, the Vista Springs Greenbriar.

This $95 million multi-phase redevelopment relied on TIF financing, and developer agreements with the local schools district to offset future forgone revenue.

Source: Businesswire.com, Newschannel10, Vista Springs LLC, Shoppes at Parma
Outcome

The Shoppes at Parma are estimated to open in 2017.

16
Retail openings in 2016

2017
Vista Springs Greenbriar opened

Source: Newschannel10, Shoppes at Parma

Source: Vista Springs LLC
Peninsula Town Center is a mixed use center located on the Hampton Roads Peninsula, 75-miles southeast of Richmond, VA.

Peninsula Town Center, previously named Coliseum Mall, is a mixed use retail, office and residential development, located in the City of Hampton, in the southeastern part of Virginia, near Norfolk. The development includes:

- **874,000 square feet of retail space**
- **132,000 square feet of office space**
- **158 residential units**

This property sits at the intersection of two major thoroughfares, I-64 and West Mercury Boulevard. Competing retail centers include big box stores across I-64 along W. Mercury Boulevard such as the Power Plant at Hampton Roads, and Patrick Henry Mall, a major indoor retail center to the northeast. While the Hampton Roads Peninsula is home to several large employers including the Newport News Shipyard, Canon, NASA, and Sentara CarePlex, the cities struggle to maintain and attract a significant residential population.

*Source: Pilot online, Daily Press, CoStar*
Background  

Peninsula Town Center had been a retail destination for over four decades.

Coliseum Mall was built by New York City-based Mall Properties Inc. in 1973. At the time it was the largest shopping destination in the Hampton Roads, VA region. With the opening of Patrick Henry Mall in 1987 and general growth trends moving north, mall activity declined significantly in the 1990’s. In 2004, the Hampton Master Plan called for the large scale redevelopment of the Coliseum Mall into mixed use center.

As a result, the owners began redeveloping the site in 2007, adding a new street network as well as parks, plazas, office and residential space. The new development, called Peninsula Town Center, officially opened in 2010. Major anchors included JC Penny, Macy’s, and Target. However, inability to service their construction loan resulted in foreclosure, and Dallas-based Tabani Group purchased the development in 2014.

Source: Pilot online, Daily Press
Best Practices

By introducing a new mixed use center, the City sought to transform the failing 1970’s mall into an engine for economic revitalization.

To create a new regional attraction the redevelopment program utilized a number of key strategies:

• **Repositioned the retail mix** including a multiplex cinema and bowling alley
• **Designed a new street network** to break up the enclosed mall
• **Added new parks and plazas** including a splash pad and significant programing
• **Developed apartments and new office space above ground floor retail**

Financing tools utilized:

• In 2006, the City created the Peninsula Town Center Community Development Authority (CDA) to issue $92 million in Special Obligation Bonds to cover public infrastructure improvements. This was the largest tax increment bond issue in VA up to that point.
• Bonds were secured through incremental tax revenue and a 0.5% special assessment.

Under the new owner, continued redevelopment plans for the site include over 100 additional residential units, and a new hotel to replace the vacated Macy’s.

Source: Stone & Youngberg Webinar, Daily Press
Outcome

Peninsula Town Center attracts some of the highest rents in the City.

97%
Occupancy at the Chapman Apartments

>30%
Higher rents for retail, office and multifamily properties than the traditional downtown area

Source: CoStar, Daily Press
Summary Redevelopment Best Practices

Based on review of these case study redevelopment projects, and HR&A’s work with catalytic projects around the country, several mall redevelopment best practices are clear:

1. **Landowner participation is crucial:** The greatest level of control rests with the landowner; either the existing owner of a site must be an explicit project partner, or site control of the property in question must be secured to enact change.

2. **Public sector must play an active role:** Given the significant challenges associated with the repositioning of large mall projects, and the need to create a ‘new market’ where one did not previously exist, the public sector must play an active role to catalyze change and fulfill the vision of the community.

3. **Re-branding efforts should occur early:** Perception is often a paramount issue in any large, dilapidated mall redevelopment; in order to stimulate change, re-branding is an important first step. This may include a simple name change, or the introduction of temporary, low cost, interim programming to re-brand the site (e.g. farmers market, food trucks, etc.).

4. **Residential development should be integrated in early phases:** Critical to the development of any ‘town center’ is the addition of residential development that is walkable to neighborhood entertainment and retail. This should be part of early phases to assist in that repositioning.

5. **Local institutions/businesses serve as strong anchors:** Redevelopment should build on existing community assets, including local businesses and organizations who have a stake in the community. Through the community engagement process, the public sector should identify and work with local institutions to serve as strong anchors.

6. **Reposition retail toward an experience-oriented mix:** In order to facilitate redevelopment as a vibrant town center, the project must incorporate experience-oriented restaurants and entertainment to serve as a destination for users, and amenity to residents.

7. **Central public park/open space, with programming, serves as central anchor:** A central, open space with year-round programming serves as the central node that connects the site and serves as a community gathering space, that truly builds a sense of place.
## Site Redevelopment

There is an opportunity for catalytic development at Severance Town Center:

<table>
<thead>
<tr>
<th>Severance Town Center</th>
<th>Comprised of</th>
</tr>
</thead>
<tbody>
<tr>
<td>requires REPOSITIONING &amp; RE-BRANDING</td>
<td>RESIDENTIAL-ANCHORED MIXED-USE</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Supported by</th>
<th>Integrated with</th>
</tr>
</thead>
<tbody>
<tr>
<td>EXPERIENCE-ORIENTED RETAIL MIX</td>
<td>CENTRAL PUBLIC/PARK SPACE</td>
</tr>
</tbody>
</table>
Site Redevelopment | Key Components

Redevelopment of Severance Town Center should comprise two concurrent strategies:

**Multi-phase Town Center Development**

- Site preparation and investment through development of street and/or park infrastructure.
- Engage development partner to lead development of new, residential-anchored mixed-use town center.

**Coordinated Mall Repositioning**

- Work collaboratively with Namdar to reposition tenant mix at Severance Town Center; establish approval process for tenants that meet the City’s vision for site redevelopment.
- Work alongside Namdar to rebrand Severance in-line with the City’s image for the site.
- Compel Namdar to invest in repositioning of existing mall components.

Site Investment & Development Partner Engagement

Engage Namdar
Redevelopment of Severance Town Center should take a phased approach, with Phase I occurring at the site’s activity node near City Hall and the access road to Mayfield Road. Phase I should build on existing activity near City Hall and proximity to Dave’s Market, to assist in re-branding the site, while later phases can occur after Phase I development has initiated the rebranding, and a new center of gravity for activity is established.
Owner Engagement

Throughout the Summer of 2017, HR&A engaged Namdar Realty Group, owner of Severance Town Center, in several phone conversations about their plans for the site, and willingness to work with the City of Cleveland Heights to advance redevelopment efforts at the mall. Through these initial conversations, HR&A established an understanding of the Namdar organization and their affiliate, Mason Asset Management, which manages each of their facilities around the country. In conversations with the owners of Severance Town Center, it was determined that Namdar/Mason Asset Management is in very similar engagement with the City of Voorhees, New Jersey for redevelopment of a mall property owned by Namdar. On the following pages is an overview of that project, which may serve as an ongoing, real-time case study for best practices in redevelopment of Severance and engagement with Namdar.

Voorhees Town Center
Voorhees Town Center is located in Camden County New Jersey, 30 miles southeast of Philadelphia. The Town Center is a major transportation hub for NJ Transit buses and Patco High speed lines. The large site includes the former Echelon Mall and Voorhees City Hall. Voorhees Town Center consists of a completed Phase I, comprising 425 apartment units and 25,000 square feet of retail and restaurant space, and the former Echelon Mall, a component of which includes the Voorhees City Hall. In 2009 the Pennsylvania Real Estate Investment Trust (PREIT) began development of phase I, which was completed in 2011. In 2015, PREIT began consolidating its portfolio and sold the former Echelon Mall site, for $13.5 million to Namdar Realty Group.

Source: Esri Business Analyst, Courier Post Online, Voorhees Town Center RFP
**Voorhees Town Center:** The City has released an RFP to redevelop Phase II including portions of the enclosed mall site.

Namdar owns the Echelon Mall site, comprising:
- 60 acres of land, including surface parking
- 300,000 square foot inward-facing mall (50% vacant)

**City Action:**
Despite lack of site control, in 2017 Voorhees Township released an RFP for Phase II development of the site. Redevelopment is set to include the redevelopment of over 200,000 square feet of the existing Echelon Mall and its anchor facilities (former Macy’s), several out parcels, and an adjacent county library branch.

In June of 2017 HR&A engaged Voorhees’ Director of Community and Economic Development, Mario DiNatale, to discuss the project and their interactions with Namdar. Mr. DiNatale indicated that working with Namdar was “fine”; however, occasionally disengaged. Regardless of the City’s ownership, or the level of interaction with Namdar, the City has moved forward with an RFP for redevelopment of the site that Namdar owns.

Note: While Voorhees Township has taken a very important step in advancing redevelopment of the Voorhees Town Center site, consistent with earlier recommendations, HR&A recommends that the City of Cleveland Heights secure site control before advancing and redevelopment efforts at Severance.

As the Voorhees Town Center project continues to proceed, Cleveland Heights staff may wish to maintain periodic engagement with Voorhees staff to inform engagement with Namdar.