The Community Builders, Inc.
Substantial Amendment Request #9
Grant B-09-NN-MA-0003
Submitted: DRAFT

This is a request for the 9th substantial amendment to TCB's NSP2 Grant. The request is to approve 2 additional census tracts and withdrawal approval of 17 approved census tracts. The list of census tracts is below.

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<th>Census Tract</th>
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The Willkommen
Scattered Site in Over-the-Rhine neighborhood of Cincinnati, Ohio
Addresses:
211, 213 & 215 Woodward;
1600, 1601, 1606, 1611, & 1623 Race Street;
1604 & 1606 Pleasant Street;
124-128 W. Liberty Street;
1510 & 1512 Moore Street;
1445 & 1447 Walnut Street;
18 & 20 East 15th Street

Census Tracts: 39061001000; 39061001600

This substantial amendment would allow NSP2 funds to serve census tracts 39061001000; 39061001600 and will have an immediate impact on the availability of affordable housing in the City of Cincinnati.
**Project Overview**

Cincinnati Center City Development Corporation (3CDC) and the Model Group are co-developing The Willkommen project (“the Project”). This transformative scattered site, mixed-use, mixed-income project encompasses approximately 162 new residential units as well as additional 26,000 square feet of commercial space in the Over-the-Rhine neighborhood in the City of Cincinnati, Ohio. The Project is incorporating both the renovation of nineteen vacant historic buildings and four infill new construction buildings on vacant lots.

The Project is committed to allocating at least 40% of the total units as affordable. A key goal of the Project is to distribute the affordable units across the properties to ensure the Project is truly mixed income, rather than entire buildings being designated affordable vs market rate. All units throughout the Project will be finished to the same high-level quality standard seen in market rate development. NSP2 will be invested in the buildings that will be rehabilitated, creating 22 rental units restricted for 10 years for families with incomes up to 120% AMI.

The financing for this project is complex and incorporates New Market Tax Credits, State and Federal Historic Tax Credits (HTCs), and Low Income Housing Tax Credits (LIHTCs). Each of these resources comes with its own set of requirements and regulations that must be satisfied. This mix of funding is accomplished by having two separate condos for financing purposes with the LIHTC units in one condo structure and the non-LIHTC units (including the NSP funds) in the second condo structure.

**Factor 1: Need/Extent of the Problem**

A) Target Geography

The Target Geography is made up of three census tracts, and only the two noted above need to be added to TCB’s NSP2 Action Plan; the data provided below is derived from the 2014-2018 American Community Survey.

The demographics in Over-the-Rhine have been changing rapidly and there is increased demand for luxury housing. The Willkommen project aims to help stabilize the neighborhood and provide housing to individuals and families with a range of household incomes. The Willkommen project is a key strategy developed by 3CDC and Model Group to help address the need for more affordable housing units in the Over-the-Rhine neighborhood. Since completion of the 2002 Neighborhood Comprehensive Plan and the 2015 report completed by the Community Building Institute, there has been a loss of approximately 2,300 affordable housing units. The goal of Willkommen is to begin replacing these units and provide quality housing for people of all income levels.

a. Vacancy and Foreclosure

In a community where 39% of the housing units are vacant the Willkommen project will rehabilitate 19 buildings and bring 95 units back to the market. The Project also infills vacant lots with 4 new construction buildings adding an additional 67 units of new construction.

b. Employment

Total employment in the Cincinnati-Middletown MSA is currently estimated at 1,104,717 people in the labor force. Between January 2009 year end 2019, employment rose by
93,086 jobs, equivalent to a 9.2% increase over the entire period\(^1\). There were gains in employment in six out of the past ten years despite the national economic downturn and slow recovery. The Project is within a mile of Cincinnati’s Central Business District where two of the largest regional employers are located and numerous other businesses. To the north, is the Uptown area of Cincinnati which is the second largest employment center hosting several hospitals, the Cincinnati Zoo and Botanical Gardens, and the University of Cincinnati. The buildings that make up the Project are located along the City’s trolley and bus lines making easy access to the area’s jobs.

B) Market Conditions and demand factors

a. Absorption
The market study did not foresee any challenges with quick absorption of all units within the proposed property. The occupancy rate for comparable affordable rental units in the surrounding area is 99% to 100% which is indicative of a rental housing market that is limited by supply rather than demand.

b. Income Characteristics
Median household income is $54,533 for the two census tracts, which is lower compared to the state of Ohio with a median family income of $69,837. With an influx of higher income households the Project aims to create housing opportunities for households with incomes of 60%, 80% and 120% AMI to create opportunities for existing families to stay and maintain income diversity in the neighborhood.

c. Strategy for Stabilizing the Census Tract
A goal of the Project is to integrate middle income units to the neighborhood to diversify the housing stock and create a balance between the number of low-income units and luxury units. Thirty-eight percent (38%) of the households renting a unit in the census tracts are spending more than 30% of their household income on rent, which illustrates the lack of supply and unmet demand for middle-income units.

Factor 2: Demonstrated Capacity and Relevant Organizational Staff

A) Past Experience of the Applicant
No Change

B) Management Structure
No Change

Factor 3: Soundness of Approach

A) Proposed Activities
TCB proposes to lend NSP2 funds to 3CDC to develop the Willkommen project a 162 unit mixed-income mixed-use scattered site development. The Project will provide high quality thoughtful affordable housing in a strategically located area that will ensure housing affordability

\(^1\) Bureau of Labor Statistics:
https://data.bls.gov/timeseries/LAUMT391714000000006?amp%253bdata_tool=XGtable&output_view=data&include_gra phs=true
in a rapidly changing market. The Project is scattered across three census tracts and will rehabilitate vacant historical buildings and infill new construction on vacant land.

B) Project Completion Schedule
The Model Group and 3CDC anticipate closing on the project during Q1 2020 and occupying the units in 2022.

C) Use of Funds
NSP2 program income will be a permanent source to pay a portion of the soft costs related to the housing units in the historic buildings undergoing rehabilitation. NSP2 dollars will fund 22 units restricted to tenants with a household income of 120% AMI for 10 years. Other sources will be directed towards the market rate units and commercial space.

D) Continued Affordability
The 10-year Land Use Restriction Agreement (LURA) is a deed restriction that is recorded and runs with the land.

E) Outreach Efforts
Representatives from The Model Group and 3CDC have presented the Project 11 times at community meetings to solicit feedback on the design and program. The Project has also been presented multiple times at the City’s Historic Conservation Board, the City Planning Commission, the Department of Economic and Community Development and to City Council members.

The affirmative marketing plan, once developed, will ensure NSP2 assisted units will be available to qualified families. Past affirmative marketing plans the Model Group has implemented involve notification and coordination with the Cincinnati Metropolitan Housing Authority, Center for Independent Living Options, and the Council on Aging Southwestern Ohio.

Factor 4: Leveraging other funds or removal of substantial negative effects

A) Leverage
TCB is proposing to invest $864,546 of NSP2 program income in this Project which will leverage an additional $37.2M for a leverage ratio of 1:43.

Factor 5: Energy Efficiency Improvement and Sustainable Development Factor

A) Transit Accessibility
The scattered site addresses are along several of the city’s Metro bus lines and within a block of the street car system. Both provide access to Cincinnati’s Central Business District and the Uptown district within a few minutes.

B) Green Building Standards
The renovated units will comply with the Enterprise Green Communities certification and the new buildings will achieve LEED certification.
Factor 6: Neighborhood Transformation and Economic Opportunity

A) Describe connection to established comprehensive plan
The Willkommen Project achieves goals in several comprehensive plans in Cincinnati and the Over-the-Rhine neighborhood.

- The recent adoption of FHAct 50\(^2\) in the Over-the-Rhine neighborhood, in 2019, requires that each affordable housing unit created is matched by a market-rate unit at the same time in the same neighborhood.

- Plan Cincinnati\(^3\), adopted in 2012, identifies goals to improve the quality and number of moderate to high-income rental and homeowner units, and create a stock of housing in each neighborhood that is affordable at all income levels.

- The Over-the Rhine Comprehensive Plan from 2002\(^4\), aims to establish the mixed-income housing model that provides for balanced housing opportunities across income tiers; give priority to mixed-income projects; supports the rental housing market by upgrading rental housing, and create a safe, clean and visually appealing environment for residents and visitors.

B) How will project increase the effectiveness of that plan
The Willkommen Project is responsive to the three plans and goals mentioned above.

- The Willkommen Project is creating 162 units of mixed income housing and meets the requirement of creating one affordable unit to every market unit required by the FHAct 50 plan.

- By rehabilitating existing housing units for moderate to high-income households and creating units across income tiers the Project is responsive to the goals in the 2012 Plan Cincinnati.

- The Project is creating needed moderate-income units to achieve the balanced housing opportunities targeted in the 2002 plan. Additionally, the project fills in vacant lots with new housing stock, and revitalizes existing vacant housing creating high-quality rental units for all incomes.

\(^2\) https://yourotr.com/
\(^3\) https://www.cincinnati-oh.gov/buildings/assets/File/final_plan_cincinnati_document_11-21-12.pdf