



modelgroup

ADAPTIVE REUSE

Downtown Office & Large Retail Vacancies = Opportunity to Solve Problems

1. Who we are
2. Why Adaptive Reuse
3. What to Consider
4. Structuring the Deal
5. Making it Happen

AGENDA

WHO

WE ARE

**“POSITIVELY
AFFECTING
PEOPLE IS THE
MOST IMPORTANT
THING WE DO.”**

BEIJING • CINCINNATI • LOUISVILLE • MINNEAPOLIS • PITTSBURGH

ROUNDHOUSE AT HAZELWOOD GREEN



Pittsburgh, Pa / Completed 2021 / Awards & Certifications / pEUI 43 / 52% Below Baseline

BIG BOX: BEFORE & AFTER



Pittsburgh, Pa / Completed 2021 / Awards & Certifications / pEUI 43 / 52% Below Baseline



FINDLAY MARKET

MARKET SQUARE

OUR MISSION IS
to positively transform communities

modelgroup

DEEPER ROOTS
COFFEE



We accomplish our mission in three primary ways:

- 1 By revitalizing vacant & blighted urban blocks into high quality mixed-use communities
- 2 By developing high impact affordable housing with non-profit owners and service providers
- 3 By building for owners with a Partnership Approach to General Contracting



Historic Renovation & New Construction

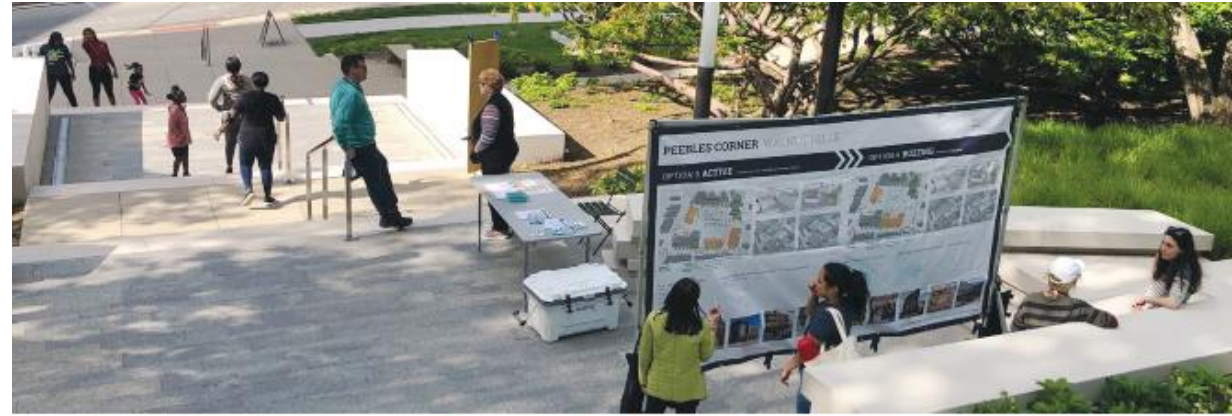
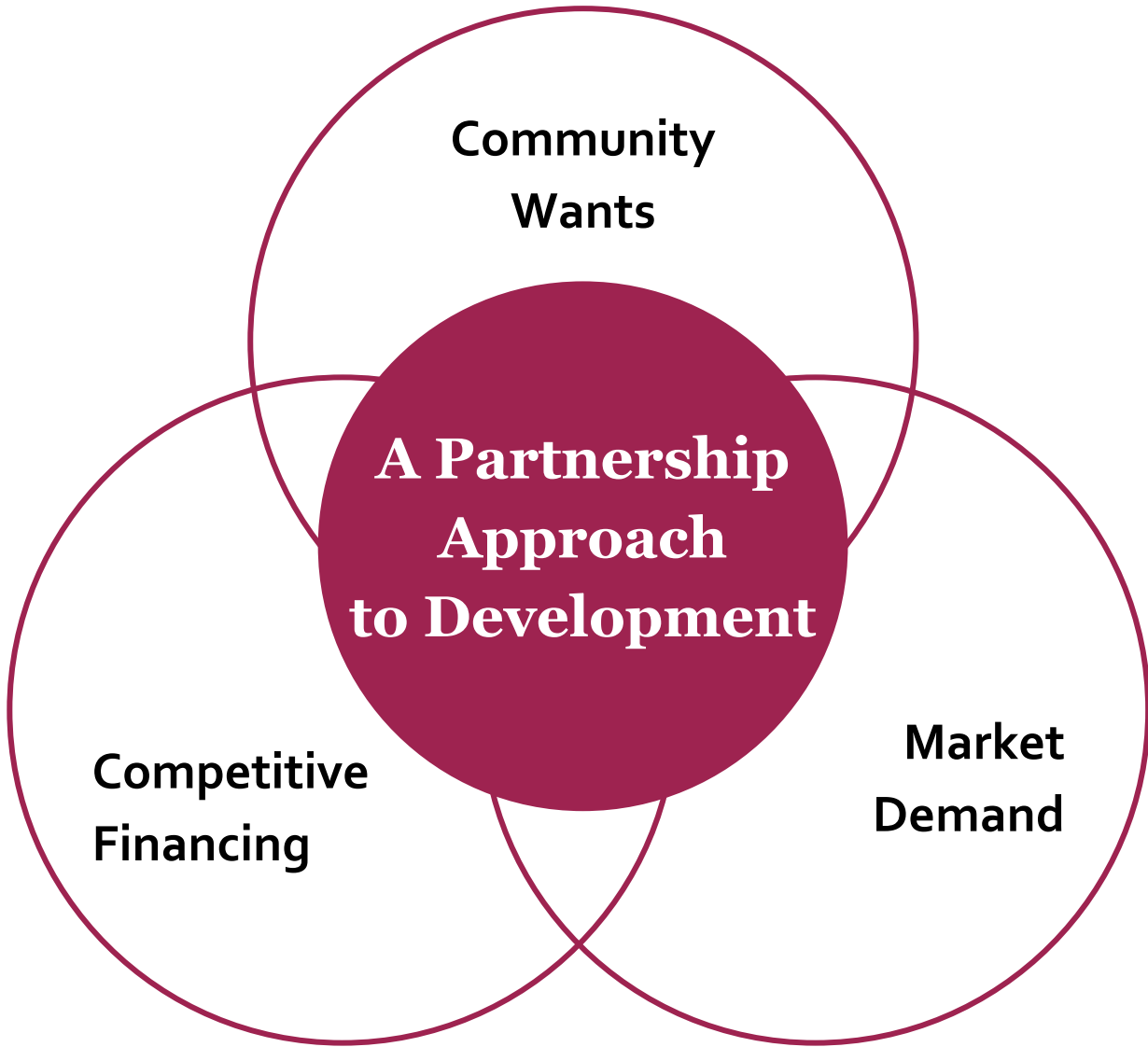
Multi-family Apartments

Affordable Family & Senior Rental Housing

Mixed-Use Urban Development

Development Consulting





WHY ADAPTIVE REUSE

- National office **vacancy rate** at a record **13.8%**, and currently forecasted at **15.0% by year end.**
- Approx. **217 million SF** of office **leases expiring** in 2024 or 2025
- Nearly **\$150 billion** in US office building mortgages to **mature in 2024** - owners must pay up or restructure despite high vacancy and interest rates
- Office **loan delinquencies** forecasted to jump to **8.1% in 2024** and **9.9% in 2025.**
- **Most affected:** Lower quality, **class B and C urban office properties** facing functional obsolescence (this trend was occurring even before COVID, but now amplified)



- There is a **nationwide shortage of roughly 1.5 million housing units.**
- **Low-income renters face a shortage of 7.3 million** affordable and available rental homes
- Office-to-apartment conversions increased from 12,100 units in 2021 to 55,300 in 2024, a **357% increase in three years.**
- CBRE tracked that **nearly 100 office buildings** in major US cities **converted** into other types of spaces by the end of 2023, **up from 56 in 2022**



**WHAT TO
CONSIDER**

ADAPTIVE REUSE FACTORS

What to Consider

- Shifting program of the downtown
 - No longer office as the main driver
- Existing amenities
- Existing transportation hubs
- Floor plate scale and proportion
 - Access to daylight
 - Floor to floor height
 - Unique attributes or simple structure
- Sustainability of using existing materials



OFFICE TO RESIDENTIAL

Crane Factory Flats



- Six stories, individual window rhythm 77,000 sf
- Hamilton County Board of Elections to 69 apartments, with garage parking at lowest level



RETAIL TO MIXED USE

The Foundry



- Three generous stories, 234,338 sf
- Macy's retail
- Light-filled office, restaurants, entertainment amenities





RETAIL TO MIXED USE

The Foundry



RETAIL TO MIXED USE

Saks



- Two generous stories, deep floor plates, 80,000 sf
- Saks retail
- Office and mixed use ground floor



STRUCTURING THE DEAL

What makes a building right

URBAN CORES

- Physical components/attributes
- Vacancies (existing leases versus otherwise vacant)
- Public involvement: federal, state, city
- Market expectations: parking, quality, price point
- Financing: where does the money come from

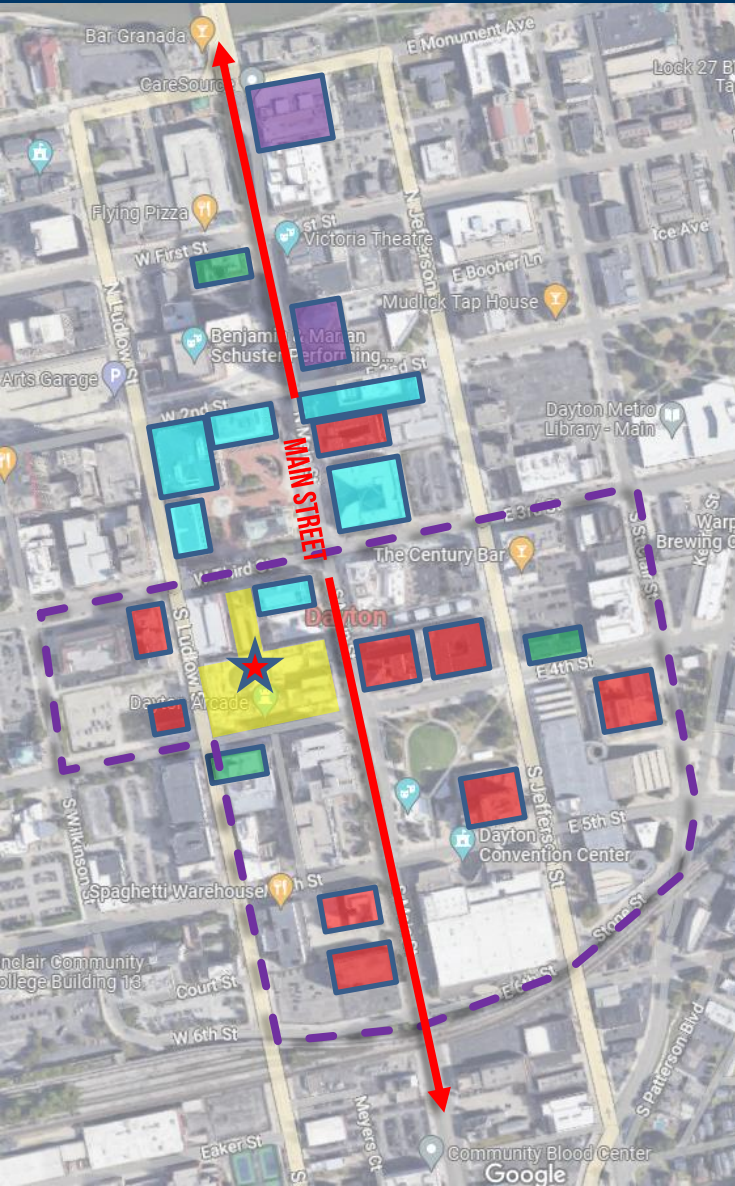
- What is the larger strategic thinking with regard to the city as a whole?











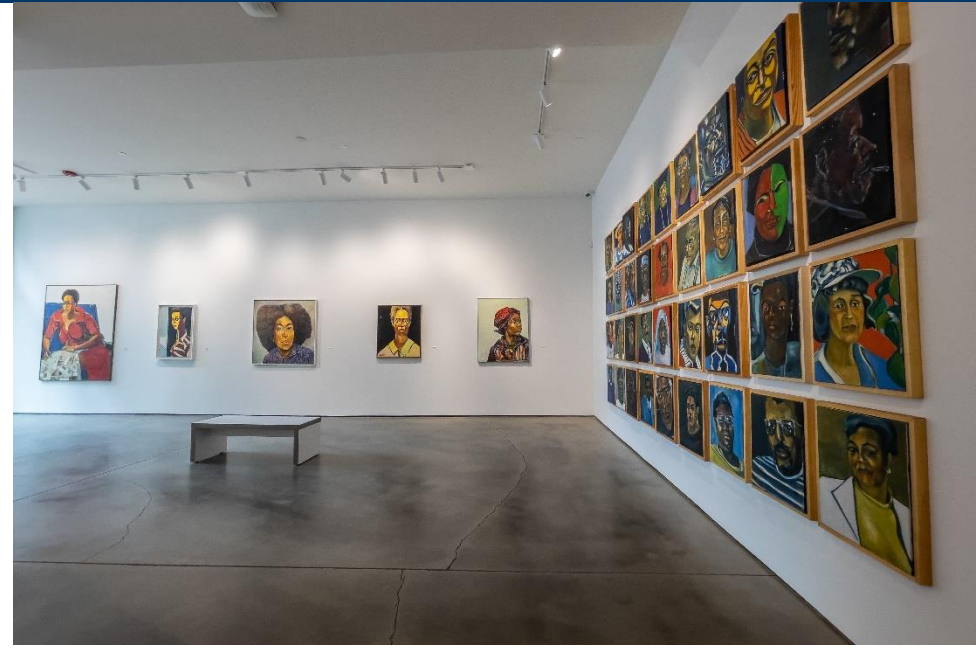
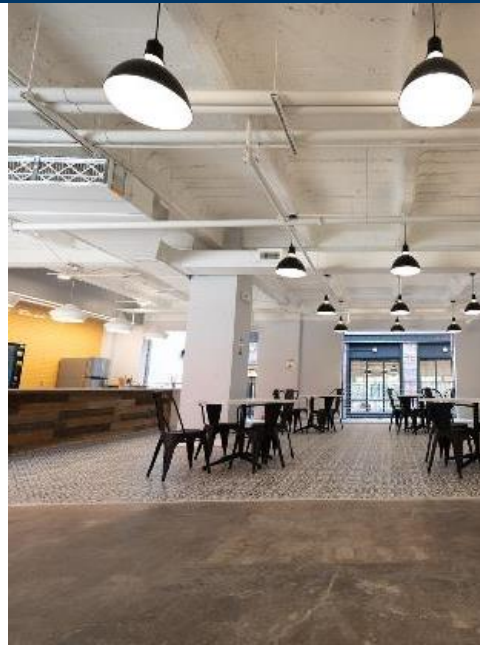
THE
ARCADE
HISTORY MADE HERE

DAYTON, OHIO - POST COVID OCCUPANCY



	APPROX SF
 DAYTON ARCADE	500K
 LOW OCCUPANCY (10 TO 40% OCCUPIED)	1.69M
 POST COVID OFFICE SPACE REDUCTION	540K
 VACANT	1.375M
 UNDERDEVELOPMENT	425K
 ARCADE DISTRICT	





<p>Description 7 buildings 126 residential units, mixed income ~48,000 sq. ft. commercial 500,000 + total sq. ft</p>	<p>Development Team The Model Group, Inc. - Co-Developer/General Contractor Cross Street Partners - Co-Developer/Owner/Property Manager McCormack Baron Salazar - Co-Developer</p>
<p>Total Development Costs</p>	<p>\$93.4MM</p>
<p>Sources of Funding</p>	<p>Low-Income Housing Tax Credits, New Markets Tax Credits, Federal and State Historic Tax Credits</p>
<p>Construction Budget</p>	<p>\$60MM</p>
<p>Project Start/End Dates</p>	<p>5/1/2019 thru 12/31/2020</p>



CAPITAL STACK COMPLEXITY

SOUTH ARCADE SOURCES & USES PHASE 1A

○ FEDERAL HISTORIC TAX CREDIT EQUITY	\$ 8,224,000
○ STATE HISTORIC TAX CREDIT EQUITY	\$ 4,565,000
○ NEW MARKET TAX CREDIT EQUITY	\$ 12,256,000
○ CITY OF DAYTON	\$ 10,000,000
○ COUNTY (EDGE-DEV FUND)	\$ 1,200,000
○ PACE FINANCING	\$ 14,123,138
○ DBC TI FUND	\$ 800,000
○ PDAC	\$ 1,000,000
○ HUB TEC UD	\$ 1,000,000
○ JOBS OHIO	\$ 900,000
○ SPONSOR EQUITY	\$ 2,000,000
<hr/>	
○ LIHTC (RES)	\$ 21,259,285
○ CITY OF DAYTON HOME FUNDS (RES)	\$ 2,500,000
○ STATE HISTORIC TAX CREDITS (RES)	\$ 2,905,000
○ FEDERAL HISTORIC TAX CREDITS (RES)	\$ 5,950,000
○ PERMANENT MORTGAGE (RES)	\$ 1,357,000
○ DEFERRED DEVELOPMENT FEE (RES)	\$ 700,000
○ CSP DEFERRAL OF PAYMENT (RES)	\$ 464,508
○ GENERAL CONTRACTOR DEFERRED PAYMENT	\$ <u>464,508</u>
TOTAL	\$ 94,574,590

SOUTH ARCADE SOURCES & USES PHASE 1B

○ FEDERAL HISTORIC TAX CREDIT EQUITY	\$ 6,310,672
○ NEW MARKET TAX CREDIT EQUITY	\$ 4,680,000
○ CITY OF DAYTON (ARPA)	\$ 750,000
○ CENTERPOINT ENERGY GRANT	\$ 1,000,000
○ AES GRANT	\$ 500,000
○ BROWN EARMARK	\$ 1,300,000
○ TURNER EARMARK	\$ 3,000,000
○ DEFERRED DEV. FEE	\$ 951,600
○ CITY OF DAYTON ARTS GRANT	\$ 250,000
○ COUNTY ARTS GRANT	\$ 250,000
○ REMAINING JOBS OHIO	\$ 225,000
○ SINCLAIR	\$ 149,401
○ 937 PAYROLL	\$ 10,000
○ PACE	\$ 3,148,172
○ SPONSOR EQUITY	\$ <u>476,755</u>
TOTAL	\$ 23,452,140

NORTH ARCADE SOURCES & USES PHASE 2

○ FEDERAL HISTORIC TAX CREDIT EQUITY	\$ 5,311,652
○ STATE HISTORIC TAX CREDIT EQUITY	\$ 2,337,500
○ NEW MARKET TAX CREDIT EQUITY	\$ 5,686,200
○ OHIO NEW MARKET TAX CREDIT	\$ 599,742
○ NCA BOND	\$ 2,835,000
○ PDAC	\$ 197,000
○ COUNTY FUNDING	\$ 1,500,000
○ CITY OF DAYTON FUNDING	\$ 2,000,000
○ SENIOR DEBT	\$ 9,000,000
○ BROWNFIELD GRANT	\$ 823,624
○ DEFERRED DEVELOPMENT FEE	\$ 2,857,669
○ SPONSOR EQUITY	\$ 3,200,000
○ PACE	\$ <u>4,500,000</u>
TOTAL	\$ 40,848,388

SOURCES PER PHASE 19 | 15 | 13

TOTAL NUMBER OF SOURCES 47

TOTAL FUNDING \$158,875,118

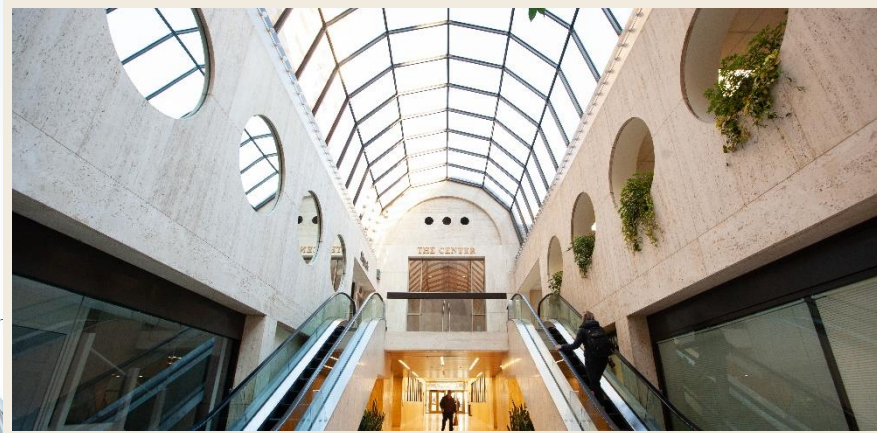


THE
ARCADE
HISTORY MADE HERE
DISTRICT

CAPITAL STACK COMPLEXITY

SOURCES OF FUNDS	TOTAL
MIXED USE PRIVATE DEBT	\$ 18,000,000
MEZZ DEBT	\$ 1,000,000
LIHTC DEBT	\$ 1,550,000
SELLER CONTRIBUTION	\$ 262,500
PRIVATE EQUITY	\$ 6,000,000
SPONSOR EQUITY	\$ 7,011,730
HISTORIC TAX CREDIT EQUITY	\$ 22,919,004
FNMTC EQUITY	\$ 9,360,000
SNMTC EQUITY	\$ 650,000
LIHTC EQUITY AND GAP SOURCES	\$ 8,531,071
OHFA BGF	\$ 3,500,000
FHLB AHP	\$ 1,500,000
ODOOD DEMO AND REVIT GRANT	\$ 1,242,367
MUNICIPAL SUPPORT	\$ 5,000,000
CITY STABILIZATION FUNDS	\$ 2,500,000
OH STATE OZ BENEFIT	\$ 2,650,000
IRA ENERGY CREDITS	\$ 1,645,000
TMUD	\$ 8,084,314
FY25 COMMUNITY PROJECT FUNDING	\$ 3,000,000
TOTAL SOURCES (19)	\$ 104,405,986





Historic Conversion

Delivery 81 Units – July 2024
91 Units – December 2024

TDC \$80MM

Financing Tools Transformational Mixed Use Dev. Funds

State & Federal Historic Tax Credits

City Abatement

State Opportunity Zone Credits

Private Debt/Equity

Mixed Use Development Over 300,000 SF
172 Units
60k SF Commercial Space

Ample Amenities Club Room, Fitness, Co-working, Roof Deck, Concierge, Mercantile Library



SOURCES OF FUNDS

1st Mortgage	\$	37,500,000
Federal Historic Tax Credits	\$	11,650,297
TMUD	\$	5,159,330
State OZ Credits	\$	2,912,068
State HTC	\$	4,200,000
GP Equity	\$	3,500,000
LP Equity	\$	12,995,832
Class C Equity	\$	4,000,000
Mezz Debt	\$	2,450,000
Total	\$	84,367,527



Merc (1904)

Beaux Arts: Parisian



Mica (1970)

Mid Century: MadMen



Arcade (1970)

Courtyard: Oasis

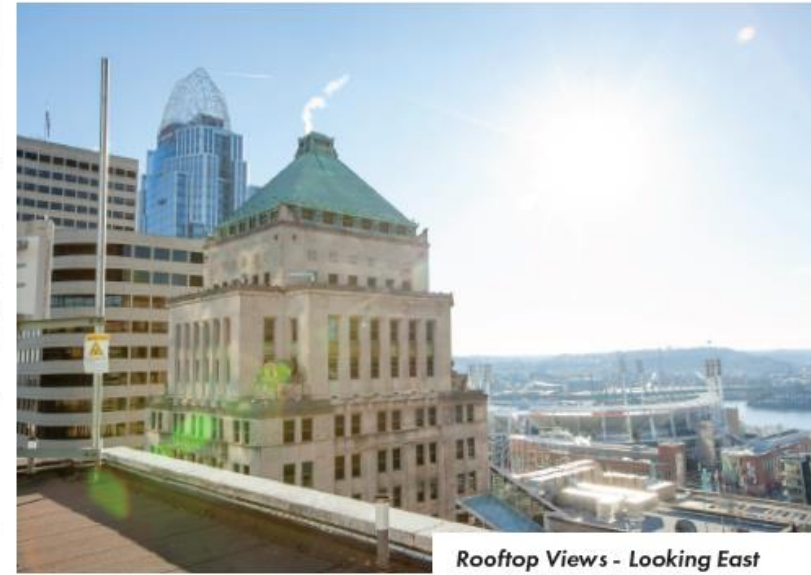
Honoring Character + Incorporating Common Design Threads



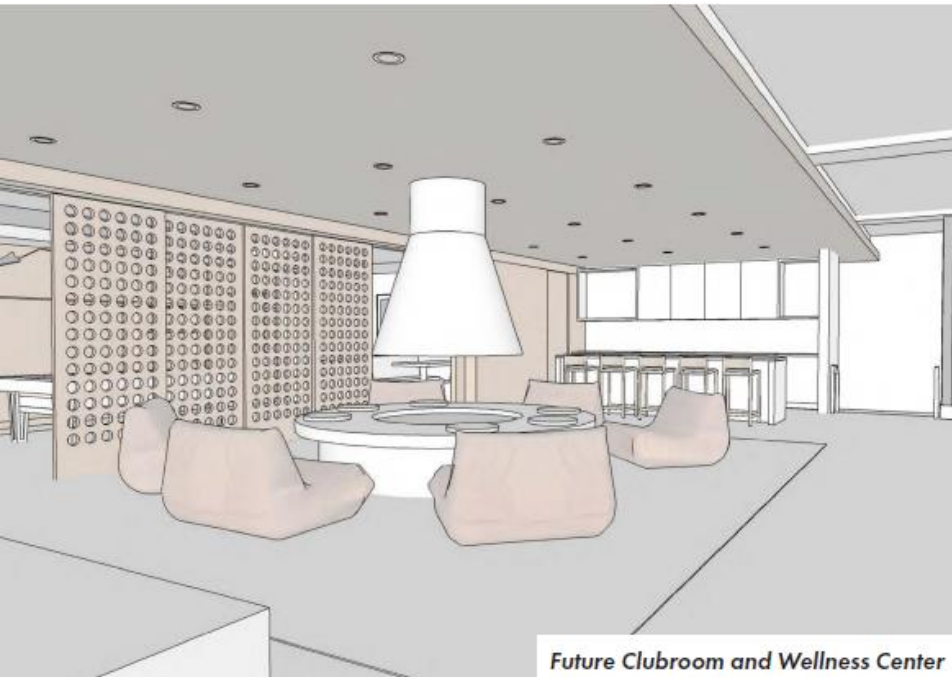
Future Lobby, Leasing Office, and Package Room



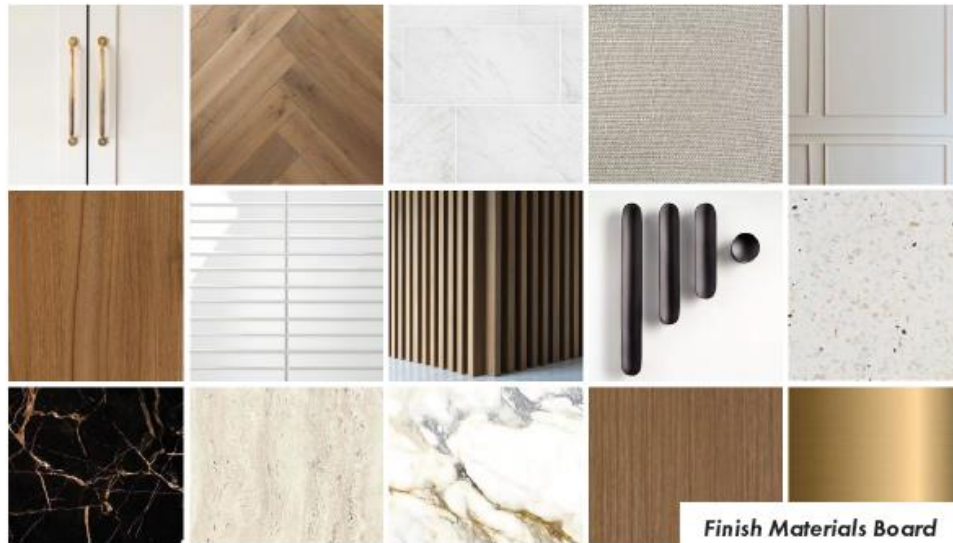
Sky Lounge Exterior



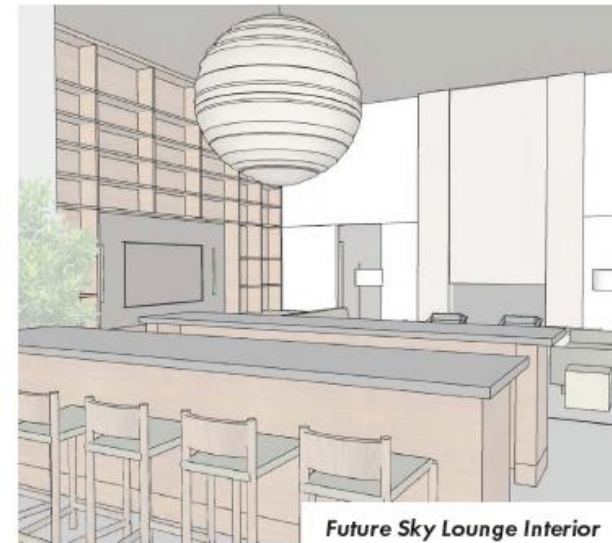
Rooftop Views - Looking East



Future Clubroom and Wellness Center



Finish Materials Board



Future Sky Lounge Interior

MAKING IT
HAPPEN

CASE STUDY

UNION CENTRAL - PNC TOWER

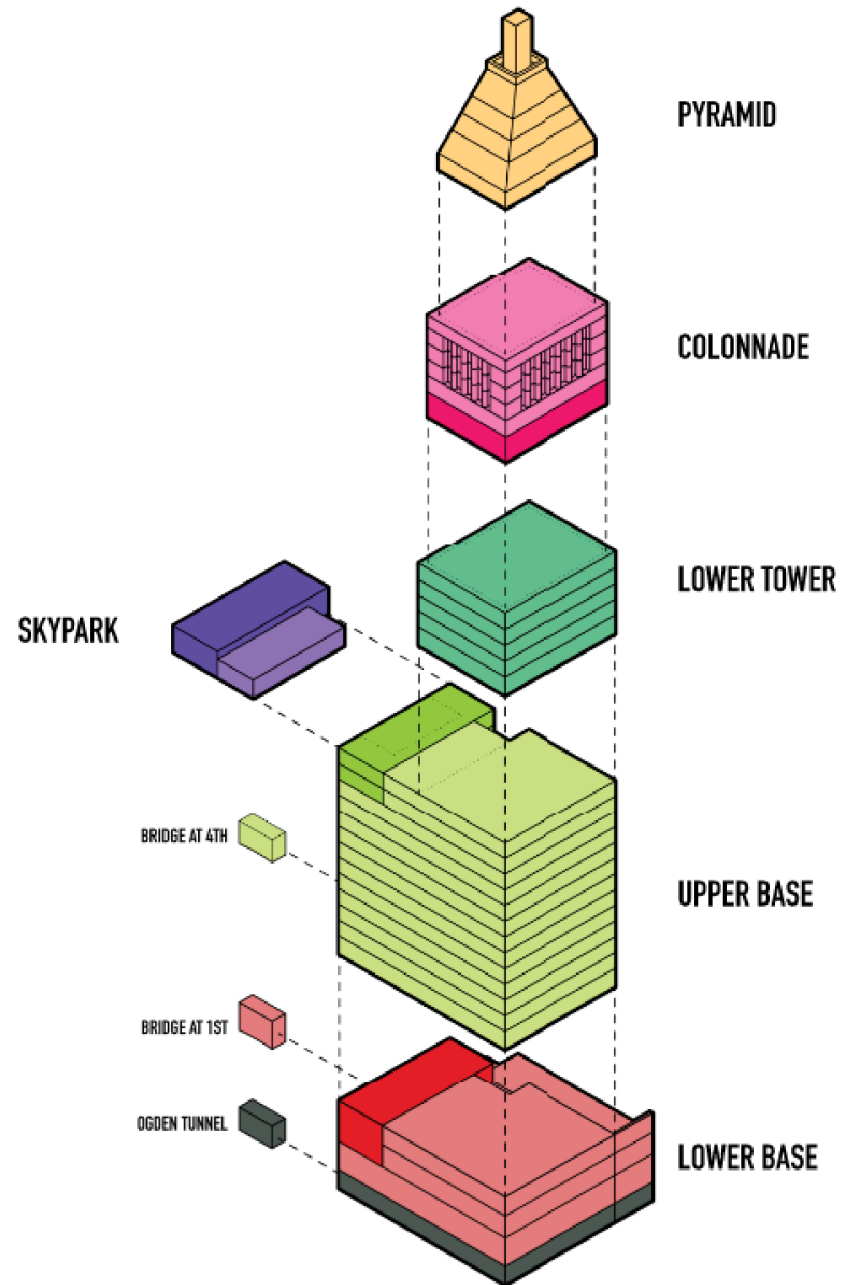
- Built in 1913
- 31 stories, 332,000 sf
- Offices for Union Central Life Insurance (until 1964)
- Chamber of Commerce
- US Post Office and Customs



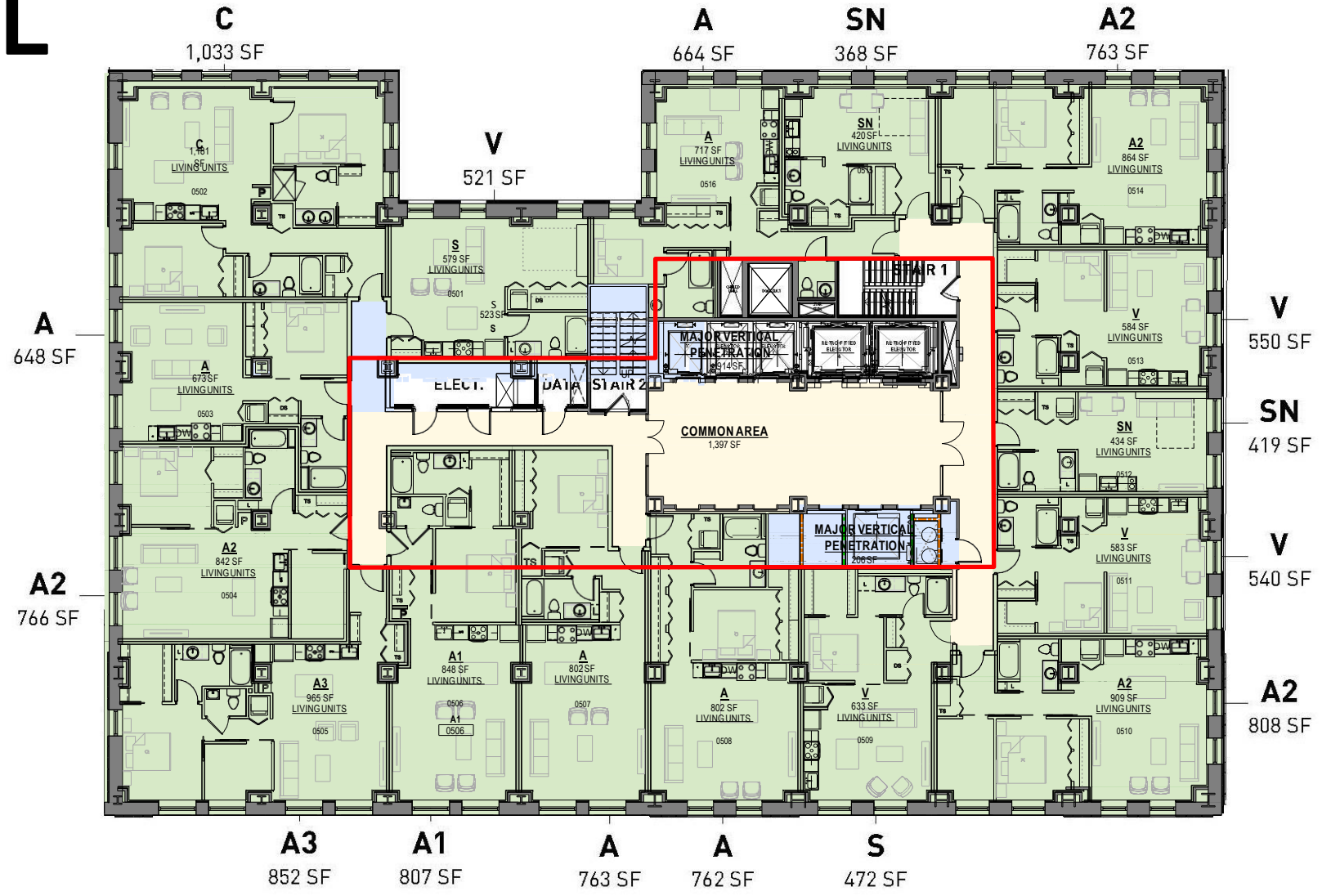
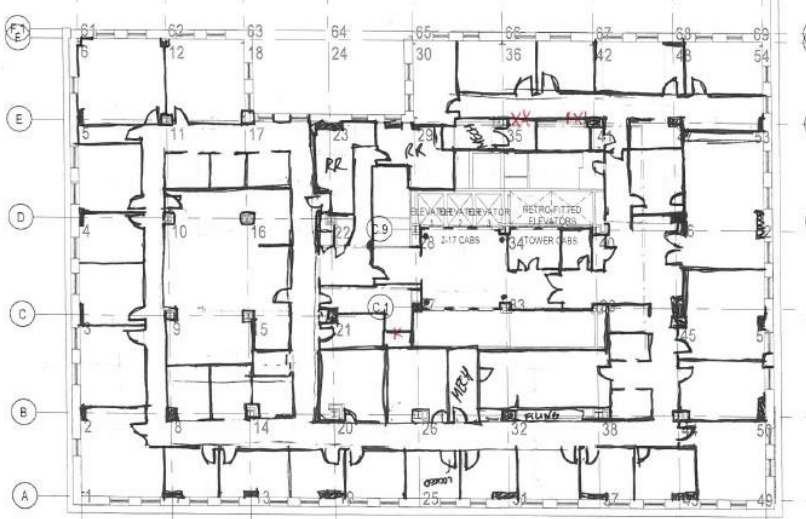
UNION CENTRAL

PNC TOWER

- Construction started in late 2022
- 281 Units (400-1,800 sf)
- Studio to 3 bedroom penthouses
- 10% affordable
- Occupancy end of 2024
- Green building certified, Wiredscore certified, Fitwel certified, Clean Rated



UNION CENTRAL PNC TOWER



Level 5-14 - Unit Layout Plan

UNION CENTRAL

PNC TOWER



Historic Tax Credits

- Restoring the exterior



UNION CENTRAL

PNC TOWER



Historic Tax Credits

- Restoring and enhancing the interior

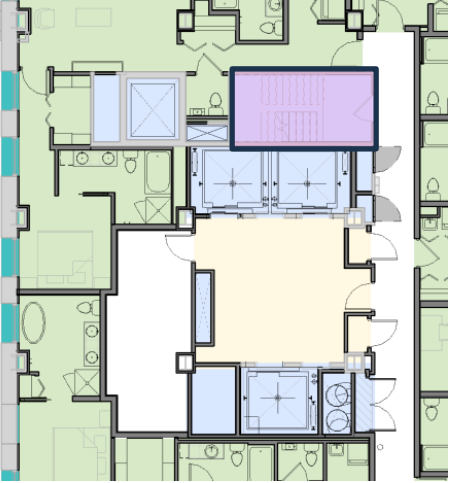




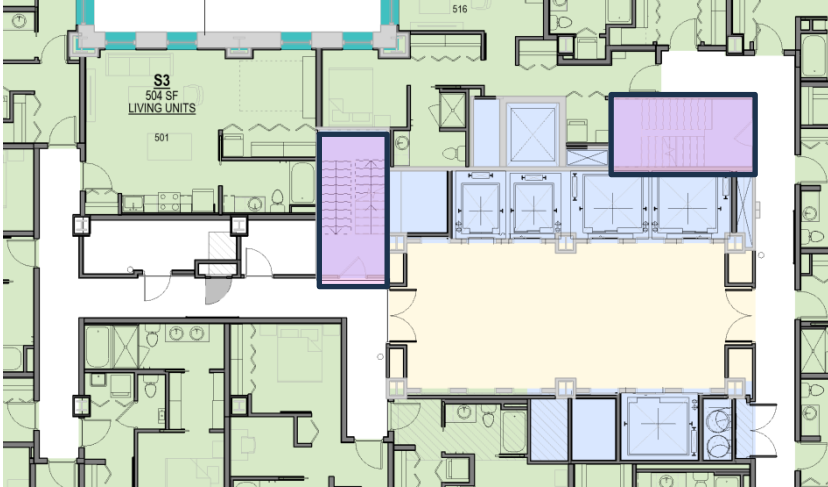
UNION CENTRAL

PNC TOWER

- Code impacts
- Existing and new
- Occupant evacuation elevator



Upper Tower

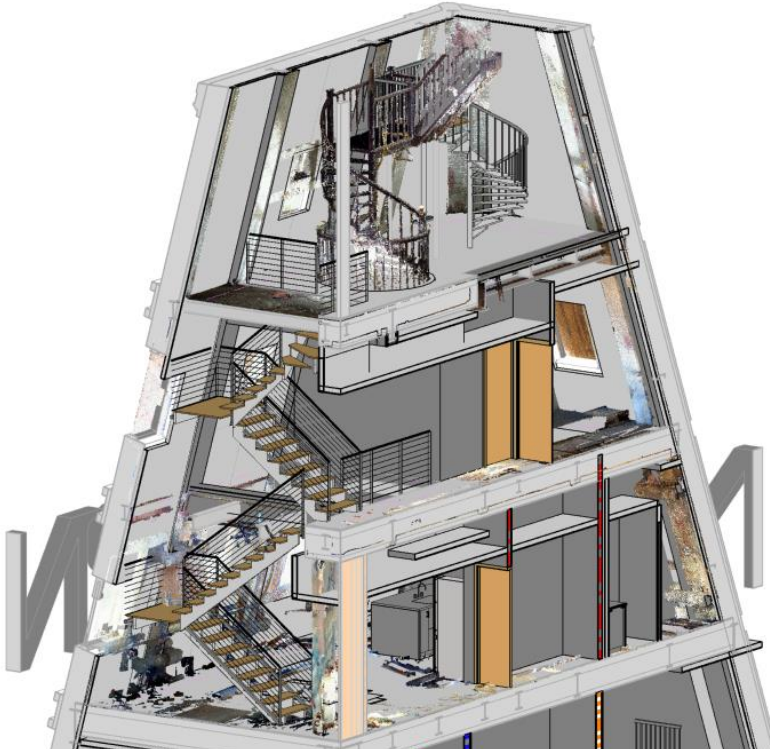
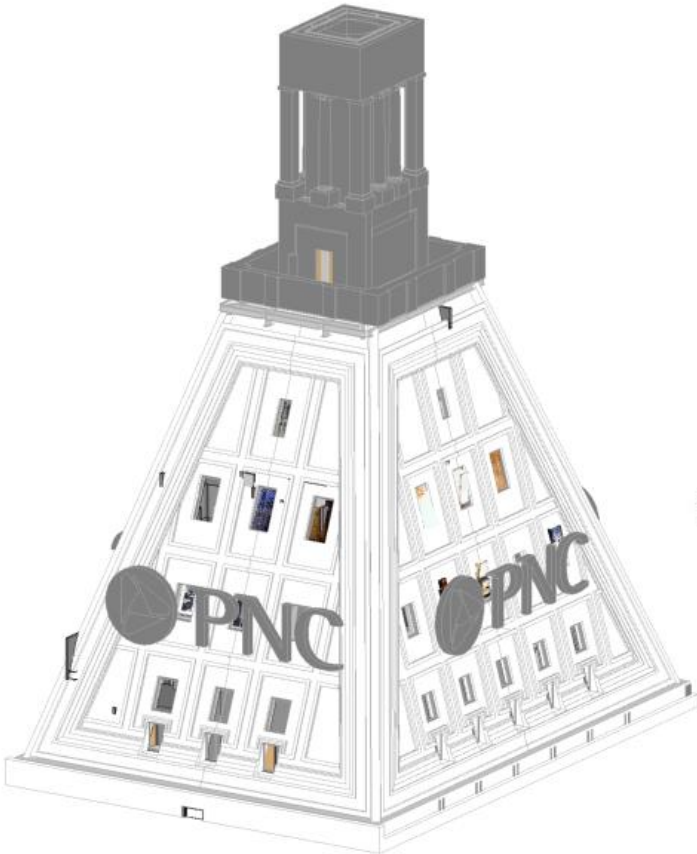


Lower Tower



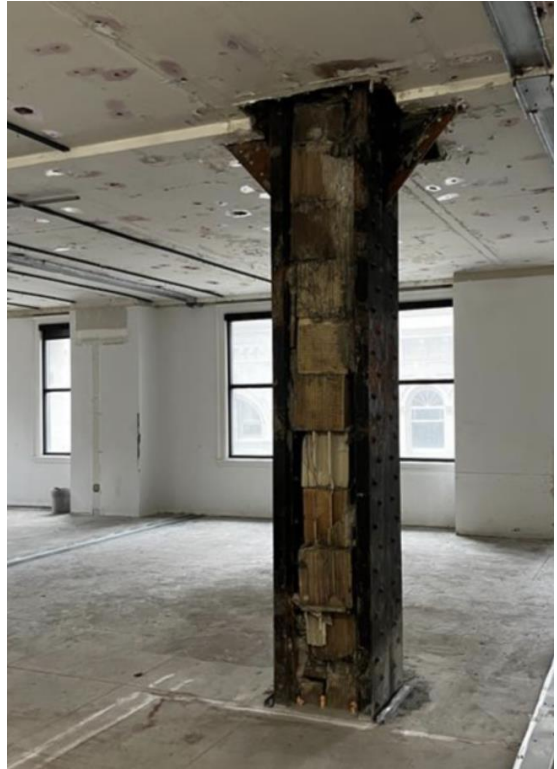
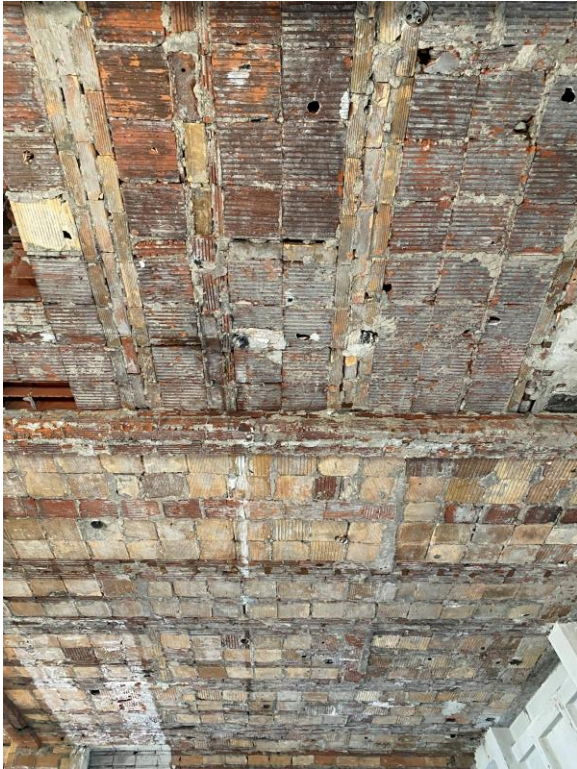
UNION CENTRAL

PNC TOWER



UNION CENTRAL

PNC TOWER



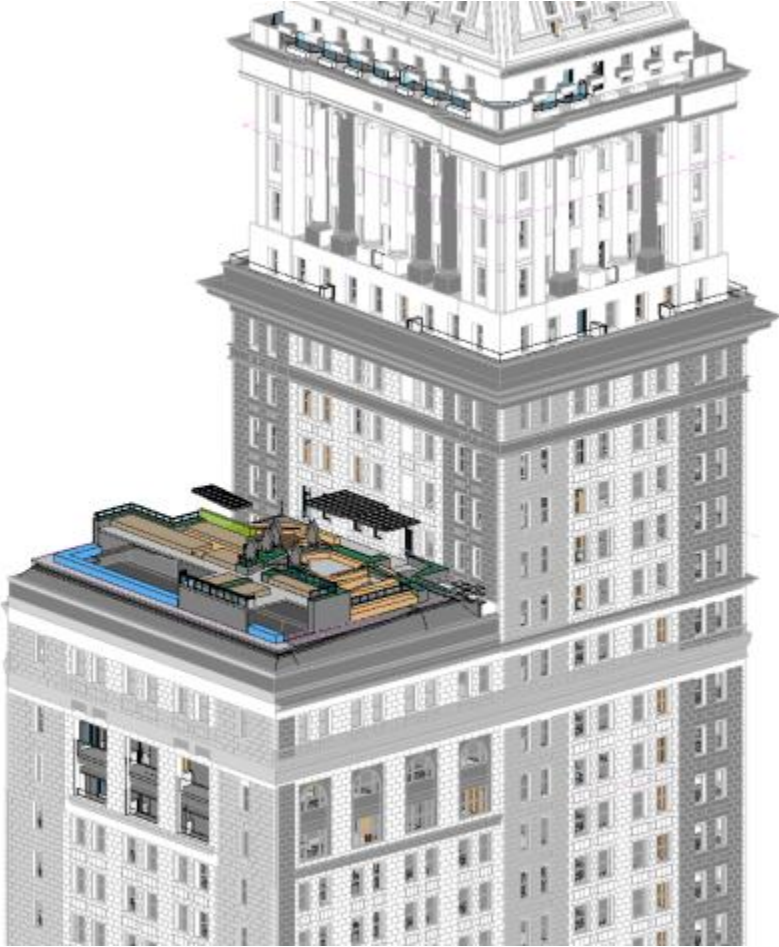
UNION CENTRAL

PNC TOWER



UNION CENTRAL

PNC TOWER



UNION CENTRAL PNC TOWER

