

**Trade District
Real Estate Business Case
Implementation Plan
Preliminary Overview of Findings**

Cleveland-Cuyahoga County Port Authority

Real Estate Committee Meeting

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September 14 2009



Summary of Key Findings

- Industrial Real Estate Market Outlook
- TD has excellent transportation and logistics advantages to spur industrial RE development
- Although real estate market in TD is currently weak, acquisition costs will be high
- 223 acres with dual rail access has been identified as the logical first target area for acquisition, with other development activity identified to leverage (e.g., White Motors - #3 on map)
- A public-private acquisition vehicle and public support will be required to bring both the Port and the private sector to the table
- Potential application of strategy in other Northeast Ohio locations



Location Advantages – Highlights

Trade District

- Superior transportation infrastructure including two Class 1 railroads with capacity, highway, air travel, and the Port
- Low cost real estate (persuasive and dissuasive)
- Available and skilled workforce

City of Cleveland

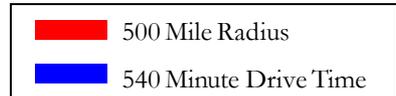
- Centrally located between Chicago (5.5 hours) and New York City (6.8 hours) – a logical midway point for truck drivers
- Centrally located for access to markets across the U.S. Cleveland offers one day access to major Midwest and eastern markets and two-day access to major southern markets
- As fuel costs increase, rail and water transportation become more relevant when comparing location costs of metropolitan areas
- Major node for both Class 1 rail lines which serve the eastern half of the U.S.

Northeast Ohio

- 16 long distance trucking companies in 45 locations
- Three Class 1 carriers (CSX, Norfolk Southern, and Grand Trunk Western Railroad Incorporated) and 20 short line railroads serving the region
- More exporting companies in Ohio than any other state



City	Miles	Days
Pittsburgh	135	1
Detroit	167	1
Toronto	293	1
Chicago	344	1
Washington D.C.	374	1
New York	465	1
Charlotte	514	2
St. Louis	558	2
Boston	639	2
Atlanta	708	2
Memphis	731	2



TD Acquisition and Development Challenges

- **Key Challenges**

- Market Forces – private sector barriers to significant developments include: fragmented ownership of properties; acquisition costs based on existing but not desired improvements; potential relocation of existing businesses; environmentally impaired sites; and image of surrounding neighborhoods
- Timing – private sector investors and developers will not be willing to have their capital tied up for an extended period of time (time is money)
- Private owners will expect compensation for taking property offline during option process
- Land speculators – the value of relocating the Port needs to be leveraged for economic development activities and controlled to prevent land speculators from purchasing properties and stalling the economic spillover effect
- Port Limitations – the Port’s role in acquisition and development of the TD is legally and financially limited

- **Public-Private Solution**

There are several legal entities including CICs, CDCs and UDAs which are capable of the following:

- Utilizing Port resources for “sweat equity” and to leverage public powers
- Applying zoning overlays and economic incentives to TD area to spur investment
- Shifting risk/responsibility to third party developer for development and operational risks (management and lease up)
- Negotiating options, purchase agreements, and other real estate transactions by a third party focused on investment returns instead of by a public sector entity which may be perceived to have “deeper pockets” and altruistic objectives
- Attracting private capital as well as public funding
- Leveraging private developer capabilities and flexibility with funding
- Modeling private sector decision making and transactional processes

High Level Sources and Uses Example

	Phase 1 (Site 1)	Phase 2 (Site 6)
Assumptions		
Estimated market value	\$ 2,620,900	\$ 2,490,800
Purchase Option - 10% of the purchase price	\$ 262,090	\$ 249,080
Purchase price - 10% over market value	\$ 2,882,990	\$ 2,739,880
Estimated acreage	25.14	5.56
Estimated buildable area percentage	70%	70%
Estimated buildable sf (one floor)	766,569	169,536
Construction costs / SF	\$ 70	\$ 65
Uses of Capital		
<u>Pre Development</u>		
Purchase Option Payment	\$ 262,090	\$ 249,080
Due Diligence Service Providers		
Appraisal	\$ 5,000	\$ 5,000
Title Research	\$ 2,000	\$ 2,000
Survey (Boundary, ALTA)	\$ 8,500	\$ 8,500
Env./Geotechnical Assessments - Phase I	\$ 2,000	\$ 2,000
Real Estate Fees	\$ 172,979	\$ 164,393
Legal Fees	\$ 10,000	\$ 10,000
Option Recording Fees	\$ 300	\$ 300
Total Pre Development	\$ 462,869	\$ 441,273
<u>Acquisition</u>		
Due Dil./Purchase/Site Prep/Development/etc.	\$ 53,659,822	\$ 11,019,809
Total Uses of Capital	\$ 54,122,691	\$ 11,461,082
Sources of Capital		
Private Equity - Port, Investor/Developer		
Private Debt - Banks		
Public Finance - Bond Finance, Low Interest Loans		
Public Grants - JRS, Clean Ohio, Infrastructure, Etc.		
Foundation Support		
	Capital Allocations to be Determined	
Total Sources of Capital	\$ 54,122,691	\$ 11,461,082

TD Strategy and Next Steps

- **Complete TD business plan and implementation strategy**
 - Develop executive summary of all findings
 - Confirm logistics findings with logistics expert(s)
 - Refine financial assumptions
- **Full presentation of the TD business plan and implementation strategy at RE Committee 10/6/2009**
- **Recommended next steps after business plan completion (discussed in detail at 10/6/09 meeting)**
 - Plan zoning overlay and economic incentive package to facilitate implementation
 - Select and legally establish public/private acquisition vehicle with legal advisors
 - Vet initial public financing options
 - Refine acquisition costs based on parcel specific information on all properties within the TD
 - Engage in initial and action-oriented discussions with private partners
 - Conduct pre-development due diligence
 - Refine cost projecting for infrastructure needs for developing the broader park