

# City of Loveland

Chestnut Street and Loveland-Madeira Road Site Assessment



April 2012

Prepared By:



**Hamilton County  
Economic Development Office**

*An Entity of HCDC*



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# Executive Summary



# Executive Summary

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Hamilton County Development Company's Economic Development Office (EDO) conducted a site assessment study of the assembled eight + acre commercial site known as "Chestnut Street". The property runs from just east of Loveland-Madeira Road to Riverside Avenue. The Little Miami River separates the site from Downtown Loveland. The City of Loveland is interested in determining the prospects for developing this site for commercial, office, and other possible uses.

## Chestnut Street Redevelopment

### Community Aspirations:

Loveland needs to capitalize on its region-wide reputation as a suburban community with significant natural amenities such as the Little Miami River, and the Loveland Bike Trail. It is recommended that these attributes be aggressively marketed to prospective clients seeking development opportunities in a non-traditional setting.

### Chestnut Street's Proximity to Downtown Loveland:

The Chestnut Street site's additional major appeal is its potential physical and economic relationship with Downtown Loveland. This linkage needs to be further defined and solidified.

### Local Incentives:

In light of the current and foreseeable future market conditions, public incentives may need to play a significant role in mitigating general risk and to increase the Chestnut Street site's attractiveness to prospective developers and users.

### An Expanded Site:

The Chestnut Street site should be expanded with additional property to accommodate a more visible and effective main access point. Determining the specifics of this expansion can be determined through an RFP process inviting private development interests to evaluate the site.

### Potential Chestnut Street Redevelopment Options in terms of present feasibility:

1. Build-to-Suit (owner-occupied)
2. Mixed-Use
3. Medical Specialty Practices: clinical/outpatient surgical facilities
4. Professional offices attuned to environmental/recreational setting
5. Flex space: office/warehouse/light assembly
6. Senior –oriented multi-use w/medical support services
7. Higher Density Residential w/ on-site supportive retail/service

# Executive Summary

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## Loveland-Madeira Road Properties

### **Effect on Chestnut Street's Marketability:**

Properties bordering the Chestnut Street site along Loveland-Madeira Road Age suffer from, obsolescence, recurring vacancies and uncertain long-term leasing potential. None of these variables enhance the Chestnut Street development site.

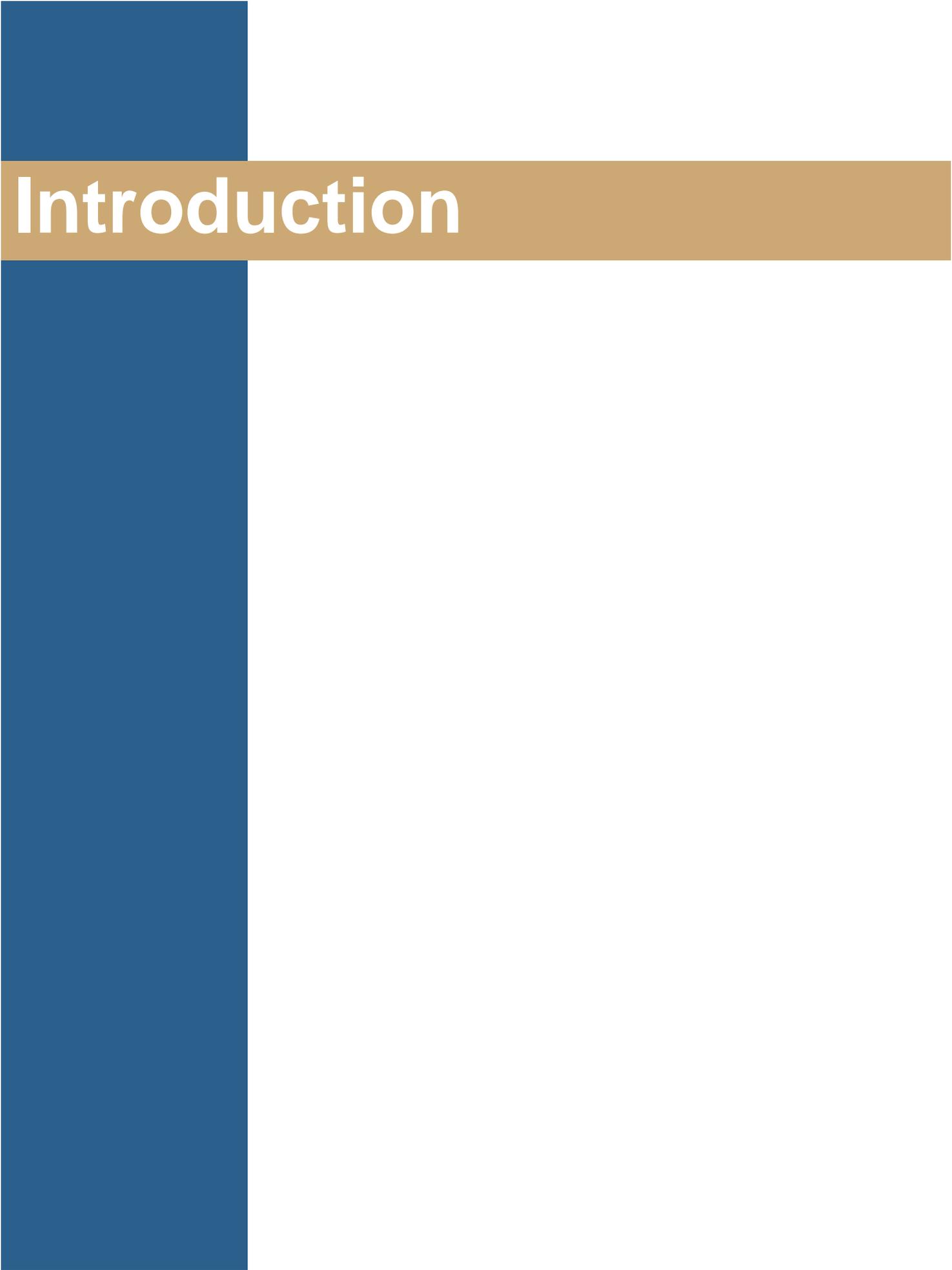
Many tenants in these properties could be realistically re-located in neighboring, more attractive, facilities across Loveland-Madeira Road on an in-fill basis at leasing rates comparable to their existing occupancy costs.

### **Costs:**

Lease cost differentials are relatively modest among properties in the study area, on the west side of Loveland-Madeira Road and at centers closer to the I-275 interchange.

### **Potential Redevelopment Uses: in terms of feasibility:**

1. Higher Density Residential/Multi-Use
2. Possible addition(s) to the present Chestnut Street site assemblage, and
3. Identify properties that may be acquired to provide a formal entrance to the larger Chestnut Street site.



# Introduction



# Introduction

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Loveland, first settled in 1795 by Col. Thomas Paxton, is located at the edges of the Symmes Purchase and Virginia Military District, in what was then the Northwest Territory. Incorporated as a village in 1876 and as a chartered city in 1961, the city is named after James Loveland, who operated a general store and post office near the railroad tracks Downtown.

Loveland City Hall is located in Clermont County, whereas most of the population resides in Hamilton County. These areas include some neighborhoods from the 1950s and earlier, as well as a number of newer subdivisions built as a result of the urban expansion experienced by Loveland and other surrounding communities.

In 1984 the long-abandoned Little Miami Railroad corridor was converted to a bike trail and became part of the Little Miami Scenic Trail. Loveland heavily promoted itself as a cycling destination. The city's location at the junction of the Little Miami, the Marietta and Cincinnati Railroad, fueled its growth.



*The Loveland Bike Trail Crossing*

Downtown Loveland has been the site for a series of community initiatives which have given the area an additional character aside from its age.

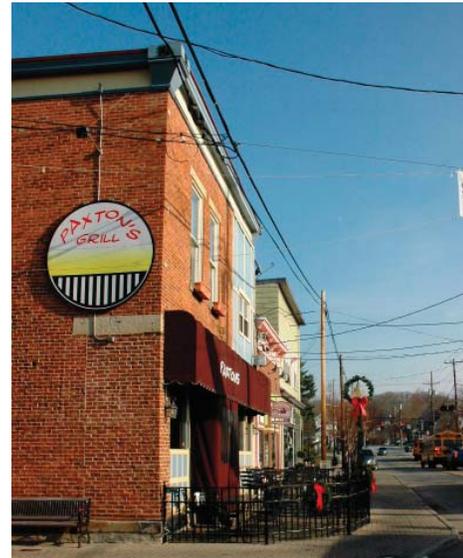
In the late 1990s, Loveland was designated a Tree City by the National Arbor Day Foundation. At this time as part of the city's bicentennial celebration, a number of development initiatives were launched to promote Loveland's Historic Downtown as a neighborhood. The programs included a renovation of much of the area to reflect a more "pristine" character. Brick sidewalks replaced standard, utilitarian concrete. Park benches appeared throughout the area, suggesting a slower pace and sense of the past. Incentives were extended to businesses willing to improve their façades.

# Introduction

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Over the past few years the City has witnessed the addition of several casual eating establishments catering to a broader market.

Many communities have attempted to feature vintage, older properties in order to establish a pleasing aesthetic environment attractive to residents and visitors alike.



*Loveland is becoming a popular dining venue*

Historic Downtown Loveland and the central business district lie in a small valley on opposite sides of the Little Miami Scenic River, the boundary between Hamilton and Clermont counties, whereas most of Loveland's residential areas are located on the hills surrounding the valley on either side.

The community has a laid back feel somewhat more apparent than in other comparable suburban areas. Perhaps this is in part due to the fact that residential subdivisions are not visually apparent along the major thoroughfares through Loveland. Loveland's older Downtown area is functional and quite active. This differs from other communities in which the older portions of the jurisdiction tend to literally disappear over time, as development pressures consume older sites.

As one of Cincinnati's more mature "First Suburbs" communities, Loveland has been in a growth mode for over three decades. Unlike the older, denser, urban areas such as the City of Cincinnati, or suburbs such as Blue Ash, Loveland is not yet built-out. Site assemblage in older, established communities can be extremely time consuming and complicated. Loveland by contrast, has capitalized on an opportunity and successfully assembled the Chestnut Street site. It is a concept that is ready for implementation. Timeliness is tempered by external market and current economic conditions.

# Introduction

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Loveland's resident demographics and those in established commercial development areas reflect a workforce in the higher echelon wage/salary levels. The revenue streams of increased real estate valuation and payroll taxation created by commercial development provide a strong motivation for the community to pursue this project.

The current sole linkage is the bridge on Loveland Avenue. Though it provides both automobile and pedestrian access, it is not considered to be a casual pedestrian route, as the volume of vehicles has increased over time.

Utilizing this site for commercial development would create a new customer/visitor base for Downtown. It would additionally create a rationale and advocacy for constructing an additional access point across the Little Miami River. Advocates propose a second access point via a pedestrian bridge at Riverside Avenue and the Chestnut site's southeaster edge. The bridge's path would run astride the current railroad crossing.

The Chestnut Street property represents a range of opportunities. It is frequently cited in connection with Loveland Station, a proposed Downtown Loveland residential apartment and small retail development. The two projects are considered linchpins of the fully realized development concept for uniting Downtown area with the rest of the Loveland community.

The relationship between these two projects is often characterized as "synergistic", in that they are integrally linked, accomplishing together what neither can do on their own. Loveland officials and other project supporters hope to create a critical relationship between the two sites that can tie Downtown Loveland to the community located across the riverbank.

The city has taken definitive steps to accommodate the Loveland Station project through infrastructure improvements such as parking spaces. The goal is to integrate a modest amount of residential development with restaurants, shops and professional offices.

The prospect of living and working in the same community is a potential driving force in attracting commercial development. Loveland's residential, environmental and recreational amenities give it a unique advantage over the competition.





# Existing Conditions



# Existing Conditions

## Study Areas

### Chestnut Street Site:

The study site is an 8.5-acre, commercially zoned site on Chestnut Street owned by the City of Loveland. The Chestnut Street site is roughly 2.9 miles from Main and Loveland-Madeira to I-275.

Map 1.

**Chestnut Street Site - Loveland**



The site located at the end of Chestnut Street, bordering the Ohio-Baltimore Railroad on one side, and the rear of the businesses along the east side of Loveland-Madeira Road from Ken Marcotte's Professional Auto Service to the Shoppers Haven located on the east side of Loveland-Madeira Road. The eastern border runs along Riverside Avenue. The site's proximity to Downtown Loveland is perhaps its most attractive attribute.

# Existing Conditions

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The most frequently noted redevelopment option to date is commercial, with an emphasis on office or possibly flex space.

The site lacks a major, visible entrance. Access is primarily at the north end of Chestnut Street, approximately 100 yards east of the intersection of Main Street and Loveland-Madeira Road. Main Street is a residential neighborhood of modest one and two story homes built over several decades. The Loveland Artist Studios is located at the southeast corner of Main and Loveland-Madeira Road. The building is an adaptive re-use of a former elementary school, renovated in 2005 to provide studio space for a broad range of artistic pursuits. Accordingly, it becomes necessary to locate the major access to the Chestnut Street site further south along Loveland-Madeira Road.



*The current access to the Chestnut site is through a residential neighborhood*

The Main & Loveland-Madeira intersection is signalized. This option presents potential for legitimate resistance from both residents and prospective developers. Increased vehicular and pedestrian traffic volume, pedestrian and visibility require a larger access point from numerous options along the property's western border along Loveland-Madeira Road and the eastern border at Riverside Avenue.

Limited site access issue implies acquiring additional property to provide a higher profile entrance. Logical options include properties abutting the length of the Chestnut St site along the east side of Loveland-Madeira Road.

# Existing Conditions

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A Phase I Property Study determined that:

- Incidents of contamination were largely attributed to off-site sources.
- The site was VAP (Ohio Voluntary Action Program) qualified. The exceptions to that conclusion was the location of former UST's (underground storage tanks).

Upon further discussion, the decision was made to pursue both a Phase II Property Study and a Phase II Groundwater Study.

The Phase II Property Study yielded several conclusions:

- PCE's samples indicated a source upgradient of the property.
- Lead samples indicated levels above VAP generic direct contact standards for residential use.
- Benzo(a)pyrene was detected in and restricted to debris deposited on the property.

The Phase II Groundwater Study confirmed the presence of PCE samples of groundwater samples taken in the unconsolidated sand and gravel aquifer. The levels exceeded the generic potable use standards. It appears however, to be attributed to sources off-site given the documented account of former uses in close proximity to the site. An on-site source could not be ruled out without additional testing.

A gravel quarry operated on site over fifty years ago. There has been significant amount of vegetation growth over the site, though it remains approximately 50 ft in diameter and 15 feet deep. It will either require significant fill or lining if it is determined to be a suitable location for water detention.

The initial Phase I Property Study inquiry identified 5 areas where known or suspected contamination and/or environmental issues exist:

- Septic tank/leach field systems used by automotive businesses, suggesting the presence of petroleum hydrocarbon compounds and solvents.
- Sites of former underground and above ground storage tanks on the Brogan Machine Shop property.
- Various waste materials left at locations across the site.
- UST's at Ken Marcotte Auto Service.
- A heating oil UST located at the King's Ford Auto Body Shop.

The extent of further remediation will ultimately be determined by the site's redevelopment use.

# Existing Conditions

## Loveland-Madeira Road:

The Chestnut Street development's attractiveness is tempered by several commercial properties lining the east side of Loveland-Madeira Road from Main Street to the southern boundary of the Shoppers Haven site. These properties date in age from 1949 to 2008. Occupants are retail and service businesses. There are also numerous vacancies. The largest single property is the Shoppers Haven, a classic strip center built in 1969. Though it has been cosmetically updated, the tenant mix, its age, and obsolescence weigh heavily on its leasing potential.

Table 1.

| Loveland-Madeira Road Study Area Commercial Property Survey |          |                |              |          |                        |                    |                     |
|---|----------|----------------|--------------|----------|------------------------|--------------------|---------------------|
| Address   | Land Use | Bldg (sf)      | Acres        | Yr Built | Ownership              | Land Value         | Auditor's Mkt Value |
| 209   | 420      | 6,585          | 0.31         | 1960     | KOI WH Inc             | 42,000             | 250,210             |
| 209   | 420      | 2,296          | 0.22         | 2008     | KOI WH Inc             | 54,030             | 342,080             |
| 301   | 454      | 10,187         | 1.18         | 1949     | Ken Marcotte Prop. LLC | 97,830             | 369,070             |
| 400   | 400      | 0              | 0.16         |          | RS Ford Inc            | 24,160             | 24,160              |
| 409   | 420      | 7,760          | 1.00         | 1960     | RS Ford Inc            | 86,070             | 440,610             |
| 501   | 452      | 5,596          | 0.65         | 1957     | R J Brogan             | 63,410             | 228,930             |
| 531   | 426      | 56,495         | 2.70         | 1969     | Shoppers Haven Ltd     | 192,340            | 1,741,960           |
| 807   | 425      | 28,522         | 4.00         | 1972     | Shermark, LLC          | 188,390            | 1,392,650           |
| 813   | 426      | 16,280         | 2.60         |          | Shoppers Haven Ltd     | 184,460            | 844,900             |
| 910   | 429      | 15,100         | 0.89         | 1976     | TF Enterprises         | 79,420             | 624,570             |
| 912   | 425      | 4,200          | 0.50         | 1970     | WEN FENGPING           | 53,020             | 310,000             |
| <b>Total</b>  |          | <b>153,021</b> | <b>14.21</b> |          |                        | <b>\$1,065,130</b> | <b>\$6,569,140</b>  |

### Key

- 400: Vacant commercial land
- 420: Small detached retail
- 425: Neighborhood Shopping Center
- 426: Community Shopping Center
- 429: Other retail structures
- 452: Auto Service Station
- 454: Automobile Sales/Service

The properties bordering on the study area, the east side of Loveland-Madeira Road, represent a broad mixture of free standing retail/service facilities, small multi-tenant commercial spaces, a traditional strip center, and some recently constructed medical offices. There is an automotive-related emphasis among several sites, likely attributed to the fact that when constructed these buildings were located at the fringes of town. In the ensuing decades that community has pushed outward and the uses have for the most part followed. Today, Loveland's outer fringe to the south is at the I-275 interchange, where a broad range of retail/service businesses (including automotive) are currently located.

# Existing Conditions

In the aggregate, commercial property within the assigned Loveland Madeira Road study area contains over 153,000 sf of retail/service space covering 14.21 acres, making it approximately 67% larger than the City's Chestnut Street site assembly.

Per the Hamilton County Auditors records, the properties in the study area have an aggregate land value of \$1,065,130 or \$74,956 per acre.

Current asking prices for comparable commercial land run from \$47,400 to \$250,000 per acre.



*454 Loveland-Madeira Road was built as an automobile dealership in 1949. Today it hosts an unlikely mix of retail & service businesses. 507 Loveland-Madeira is similar. KOI Auto Parts @ 209 Loveland-Madeira was significantly remodeled in 2008*



*Shoppers Haven is a classic strip center circa 1969*

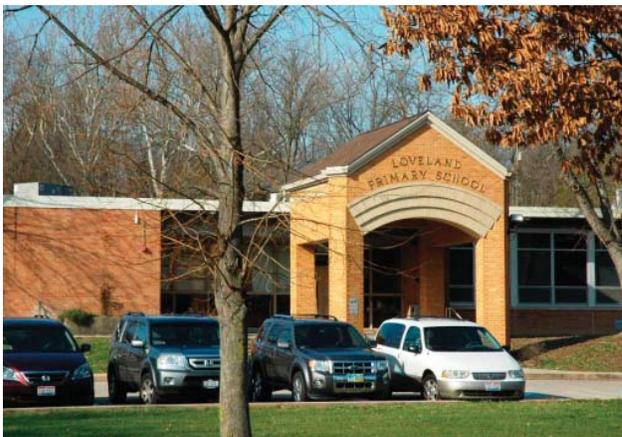
Shoppers Haven is the largest retail property in the study area at 72,775 sf. Built in 1969, the facility shows both its physical and market age as a retail venue. Though it appears to be in reasonably good physical condition with ample parking, it is among those commercial properties that have become obsolete in the current marketplace.

# Existing Conditions

Obsolescence carries a series of consequences. As space becomes less competitive, lease rates decrease. As market conditions affect cash flow, many similar properties begin to deteriorate physically and begin to experience a declining tenant mix. In the traditional strip center concept, large anchor tenants attracted the bulk of consumers who in turn shopped at the broad variety of smaller stores. A vacant out lot appears to have contained a bank drive-through facility. A walking tour revealed seven vacancies out of 24 storefronts. In terms of square footage the facility appears to be close to 50% vacant. These spaces range from 1,000 to 11,250 sf. Commercial real estate listings indicate an \$8 per sf leasing rate.

Buildings at 910 and 912 Loveland Madeira adjoin Shoppers Haven. Visually, they appear to be a part of the larger property. The buildings date, however, to 1976 and 1970 respectively. They share the Shoppers Haven property's construction style, but are held under different ownership. The two structures contain a combined 19,300 sf on a combined 1.386 acres site. 807 Loveland Madeira Road is a relatively large presence at 28,522 sf covering approximately 4 acres.

As noted above, a specialty canine training facility occupies a former anchor tenant space in Shoppers Haven. The property also contains more traditional occupants including a bank, jeweler, an Asian restaurant, a national chain exercise location, a small branch location for the Public Library of Cincinnati and Hamilton County (since 1997), a Bureau of Motor Vehicles facility, and several dental, veterinary, and health-related offices.



*Loveland Miami Elementary School*



*LCNB National Bank, 500 Loveland-Madeira Road*

Commercial properties located directly across on the west side of Loveland-Madeira Road are also strip properties. They differ significantly in appearance, tenant mix, and proximity to several free standing properties. 600 Loveland-Madeira is home to the Loveland Miami Elementary School. The facility caters to grades 3 and 4, with students arriving by bus, on foot, and accompanied by parents. LCNB National Bank occupies a sizeable free standing structure at 500 Loveland-Madeira Road. 320 Loveland-Madeira Road contains a UDF store set on an out lot, leading to a small commercial strip. The U.S. Post Office is at 200 Loveland-Madeira Road.

# Existing Conditions



*U.S. Post Office 200 Loveland Madeira Road*



*Loveland Shopping Center*

Loveland Shopping Center is a 40,000 sf strip center situated at 330 Loveland- Madeira Road, approximately one city block north. This section contains a concentrated line of retail, service, and educational facilities that generate considerable activity. A crosswalk leads across the street to Shoppers Haven. Available retail space at 330-400 Loveland-Madeira Road is listed at \$9 per sf. Approximately 4,500 sf is available.

Leasing rates compare favorably with those at newer facilities closer to the I-275 intersection. Rates at 10645-10689 Loveland Madeira Road range from \$12-13.50 per sf. This area contains approximately 59,600 sf of retail/service space.

## Land Use Initiatives

### **Downtown Historic District**

Loveland's Historic District is a thriving area with both new businesses and long-time merchants. Following an ambitious redevelopment initiative in 1995 by the City of Loveland, the Historic District is in the midst of a resurgence of business growth.

### **Loveland-Madeira Road Overlay District**

In 2003, the Loveland Zoning Code was revised to create the Loveland-Madeira Road Overlay District. The stated purpose of the overlay zoning district is to:

- Enhance and protect development along Loveland-Madeira Road.
- Promote the goals and objectives for this main road as established in the City's Comprehensive Master Plan.
- Improve the appearance of structures and other improvements visible from Loveland-Madeira Road.

The limits of the overlay district are basically the properties bordering both sides of Loveland-Madeira Road from the City's Public Works Facility in the south to the intersection of Loveland-Madeira Road and West Loveland Avenue on the north.

All new construction, major additions, changes to building color, signage, and outdoor sales and storage are subject to design standards and a review process by the City's Planning and Zoning Commission. Property owners are encouraged to work with City staff early in the design phase of an improvement, so that the requirements can be easily incorporated for the betterment of the project.

# Existing Conditions

## Demographics

The local demographics highlight an emphasis on families, education, and home ownership; elements typically identified with growing, suburban communities that have appeared at the edge of metropolitan Cincinnati over the past 2 decades. Income distribution indicates that 75.08% of the community has an annual household income in excess of \$50,000.

Table 2.

| General Demographics |        |        |           |
|----------------------|--------|--------|-----------|
|                      | 2000   | 2010   | 2015 est. |
| <b>Population</b>    |        |        |           |
| 1 mile               | 7,594  | 7,704  | 7,858     |
| 3 miles              | 39,491 | 45,457 | 48,253    |
| <b>Median Age</b>    |        |        |           |
| 1 mile               | 33     | 34     | 34        |
| 3 miles              | 36     | 37     | 37        |
| <b>Households</b>    |        |        |           |
| 1 Mile               | 2,824  | 2,858  | 2,914     |
| 3 Miles              | 13,979 | 16,162 | 17,200    |
| <b>Families</b>      |        |        |           |
| 1 Mile               | 2,170  | 2,146  | 2,169     |
| 3 Miles              | 10,885 | 12,282 | 12,963    |
| <b>Home Owners</b>   |        |        |           |
| 1 mile               | 2,065  | 2,048  | 2,088     |
| 3 miles              | 11,283 | 12,454 | 13,262    |
| <b>Renters</b>       |        |        |           |
| 1 mile               | 759    | 810    | 826       |
| 3 Miles              | 2,696  | 3,707  | 3,938     |

Table 3.

| General Income           |          |           |           |
|--------------------------|----------|-----------|-----------|
|                          | 2000     | 2010      | 2015 est. |
| <b>Median H/H Income</b> |          |           |           |
| 1 mile                   | \$51,267 | \$71,284  | \$80,956  |
| 3 miles                  | \$71,370 | \$87,135  | \$101,165 |
| <b>Avg H/H/ Income</b>   |          |           |           |
| 1 Mile                   | \$69,811 | \$92,727  | \$103,401 |
| 3 Miles                  | \$91,387 | \$110,515 | \$120,593 |
| <b>Per Capita Income</b> |          |           |           |
| 1 mile                   | \$25,559 | \$33,640  | \$37,481  |
| 3 Miles                  | \$32,955 | \$39,765  | \$43,495  |

Table 4.

| Loveland Household Income |               |            |
|---------------------------|---------------|------------|
|                           | 2010          | % of Total |
| <b>Household Income</b>   |               |            |
| Total H/H Income          | \$603,069,233 |            |
| Median H/H Income         | \$88,093      |            |
| Average H/H/ Income       | \$111,494     |            |
| Per Capita H/H Income     | \$39,922      |            |
| <b>Income Ranges</b>      |               |            |
| <\$15K                    | 290           | 5%         |
| \$15-24.9K                | 239           | 4%         |
| \$25K-34.9K               | 280           | 5%         |
| \$35K-49.9K               | 539           | 10%        |
| \$50K-74.9K               | 915           | 17%        |
| \$75K-99.9K               | 843           | 16%        |
| \$100K-124.9              | 694           | 13%        |
| \$125K-149.9K             | 490           | 9%         |
| \$150K- \$199.9K          | 507           | 9%         |
| >\$200K                   | 612           | 11%        |

Source: U.S. Bureau of the Census. Esri Forecasts

# Existing Conditions

## Supportive Retail/Service Development

Conducting a gap analysis is often a valuable method for identifying the strengths and weaknesses in an economy's retail sector; however, the analysis only indicates the possible areas of leakage. It does not indicate why the leakage is occurring, whether or not the leakage is desirable or acceptable, or how to stop the leakage from occurring.

Table 5.

| Retail Marketplace Profile     |                    |                       |              |       |                        |
|--------------------------------|--------------------|-----------------------|--------------|-------|------------------------|
| Industry Totals                | Demand (potential) | Supply (retail sales) | Retail Gap   | % Gap | Leakage/Surplus Factor |
| <b>Retail Food &amp; Drink</b> |                    |                       |              |       |                        |
| 1 mile                         | \$96,828,517       | \$76,877,651          | \$19,950,867 | 21    | 12                     |
| 3 mile                         | \$647,213,421      | \$576,305,713         | \$70,907,708 | 11    | 6                      |
| <b>Retail Trade</b>            |                    |                       |              |       |                        |
| 1 mile                         | \$82,438,096       | \$69,374,983          | \$13,063,113 | 16    | 9                      |
| 3 Mile                         | \$550,363,604      | \$520,855,614         | \$29,507,990 | 5     | 3                      |
| <b>Food &amp; Drink</b>        |                    |                       |              |       |                        |
| 1 Mile                         | \$14,390,421       | \$7,502,668           | \$6,887,753  | 48    | 32                     |
| 3 Miles                        | \$96,849,817       | \$55,450,099          | \$41,399,718 | 43    | 27                     |

Source: Esri and Infogroup

Retail dollars either stay within the local economy or they leave the local economy. If dollars remain in the local economy, the benefits associated with them will also remain, as those dollars re-circulate within the local economy, enabling additional economic growth.

People cannot realistically be expected to make every purchase in their own city or town, but the healthiest economies will attract a large portion of local consumers' dollars.

The above data intends to illustrate the extent to which various areas are affected by lost consumer dollars. This is a basic concept in retail gap analysis. Loveland and its surrounding area have significant "gaps" between the demand their consumers express and the area's ability to capture that volume. The inference is however, flawed by a number of variables and [business] paradigm shifts over the past decades.

# Existing Conditions

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Significant retail and service corridors are evident at numerous locations that compete with the study site. Prime examples include:

- The Kenwood Towne Center: 8.7 mi. southeast
- Harper's Point is 4.6 mi. southwest
- Mason Montgomery Road Corridor: 4.7 mi. northwest

There is a strong consensus that Kenwood Towne Center is the strongest retail market in the Cincinnati region. It provides extensive retail, service, retail food, and entertainment venues to a broad demographic base. The 1 million sf facility opened in 1988.

Harpers Point and the Mason Montgomery Road Corridor represent more recent additions to the northeast suburban market. Though neither location is a conventional mall environment, both draw customers from throughout the region. The two corridors emerged as retail /service/entertainment destinations in the later 1990's.

The data indicates that food & drink establishments reflect the largest gaps between supply and demand at the local level. Creating demand for additional facilities in these categories requires increasing the work day population within the study area. In most commercial/office areas, service retailers, including food & drink establishments, locate close to the workplace. Accordingly, retail/service strips develop at intervals along a commercial corridor. For example, retail/service development along Blue Ash's Reed Hartman Highway is spaced in a series of small strip centers, typically tenanted by chain food businesses and an assortment of services. By contrast, demand for similar uses could be accommodated at close proximity to offices either in Downtown Loveland or on the perimeter of the Chestnut Street site. In the case of Downtown Loveland, new retail/service and food establishments would serve a multiple customer base beyond the new workday market.

# Existing Conditions

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## Real Estate Climate

Recent real estate trends coupled with the current economic climate have had a sobering effect on commercial development. In an otherwise stable economy, Loveland's Chestnut Street commercial development initiative would compete with established, highly accessible, and lucrative submarket areas.

Examples of recent activity in Loveland's competitive submarkets include:

- **Build to Suit:** itelligence Inc.'s 69,856 sf headquarters and 14,742 sf data center are under construction in Duke's Legacy Point, Blue Ash's latest business park on Reed Hartman Highway at Osbourne Boulevard. Once completed, however, the company will leave behind 29,000 SF at its current location in Kemper Pointe.
- **Competitive Leasing Rates/Incentives:** Humana Right Source, the mail-order pharmaceutical and medical supply company, plans to occupy the 173,145 sf in Springdale's Executive Centre in 2012.
- **Highest Absorption/Lowest Vacancy:** With a vacancy rate of 5.4%, the West Chester submarket has become the tightest office submarket in the Cincinnati area. GE Aviation recently renewed and expanded its space in Centre Pointe III, while Crossmark leased 13,683 SF in Centre Pointe IV in Springdale.

## The Cincinnati Office Market

Office and other real estate markets measure their relative vitality by the number of construction starts and the absorption of that and other existing product within an assigned period. Economic instability since 2008 has affected construction activity in all but the "build to suit" category. Speculative projects continue to represent an unreasonable level of risk. When combined with the low absorption rate, market prospects are not encouraging. The summary below illustrates activity in the Cincinnati Region's commercial real estate market areas.

The two data categories that stand out are new projects (square footage under construction) and net absorption. The first indicates a dearth of new initiatives. The second reflects the inventory of existing product that is not being leased or sold. Areas most likely to be competitive with new [office] development at the Chestnut Street are the Blue Ash, Kenwood, Mason, West Chester, and the East submarket areas. The first two markets are relatively static, with the sole project between them being the new office space on Montgomery Road for the FBI regional offices. Mason and West Chester are in better condition, as they have both absorbed a significant amount of product with little coming on line soon.

# Existing Conditions

Table 6.

| Cincinnati Office Market, 3rd Quarter, 2011 |            |            |                |              |                |                    |                    |                          |                      |
|---|------------|------------|----------------|--------------|----------------|--------------------|--------------------|--------------------------|----------------------|
| Submarket                                   | Total Bldg | SF         | Direct Vacancy | Vacancy Rate | Net Absorption | Net Absorption YTD | Under Construction | Avg Ask Rent All Classes | Avg Ask Rent Class A |
| <b>CBD</b>                                  | 54         | 13,169,000 | 2,906,000      | 22%          | -211,000       | -54,000            | 0                  | \$19                     | \$25                 |
| <b>Blue Ash</b>                             | 50         | 4,031,000  | 764,000        | 19%          | -30,000        | -48,000            | 0                  | \$18                     | \$21                 |
| <b>Kenwood</b>                              | 13         | 1,004,000  | 102,000        | 10%          | -6,000         | 0                  | 270,000            | \$22                     | \$25                 |
| <b>Mason</b>                                | 30         | 2,639,000  | 682,000        | 26%          | -108,000       | 60,000             | 0                  | \$20                     | \$21                 |
| <b>Midtown</b>                              | 44         | 3,480,000  | 930,000        | 27%          | 11,000         | -51,000            | 200,000            | \$18                     | \$23                 |
| <b>NKY</b>                                  | 43         | 3,141,000  | 875,000        | 28%          | -17,000        | 45,000             | 0                  | \$19                     | \$20                 |
| <b>Tri-County</b>                           | 32         | 2,644,000  | 796,000        | 30%          | 8,000          | -39,000            | 0                  | \$15                     | \$19                 |
| <b>West Chester</b>                         | 11         | 1,349,000  | 72,000         | 5%           | 49,000         | 59,000             | 0                  | \$22                     | \$22                 |
| <b>East</b>                                 | 26         | 1,124,000  | 378,000        | 34%          | 17,000         | 12,000             | 0                  | \$17                     | \$19                 |
| <b>West</b>                                 | 6          | 466,000    | 186,000        | 40%          | -12,000        | 31,000             | 0                  | \$14                     | N/A                  |
| <b>Sub Mkt</b>                              |            |            |                |              |                |                    |                    |                          |                      |
| <b>Class A</b>                              | 144        | 19,433,000 |                | 21%          | -14,000        | 670,000            | 470,000            | \$22                     |                      |
| <b>Class B</b>                              | 165        | 13,614,000 |                | 27%          | -285,000       | -655,000           | 0                  | \$16                     |                      |
| <b>Total</b>                                | 309        | 33,084,000 | 7,694,000      | 23%          | -299,000       | 15,000             | 470,000            | \$18                     | \$22                 |

Source: Cassidy Turley Market Snapshot, Third Quarter, 2011

# Existing Conditions

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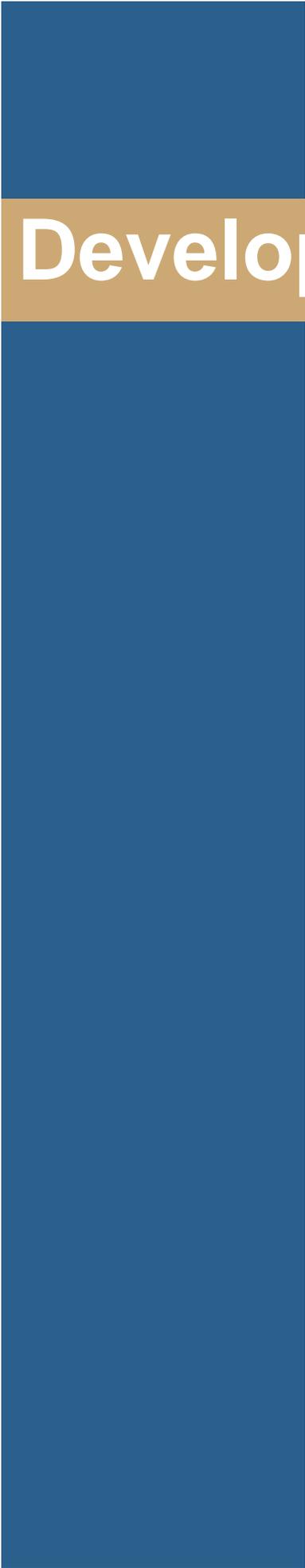
The East market is primarily based in Clermont County. Over the past two decades, this submarket has attracted businesses with a preference for more eclectic forms of new development. Population growth in this submarket has attracted significant development to Union and Townships, Milford, and into more rural sections in the county. Technically-oriented forms have chosen this submarket. With major access at points along I-275, the East submarket has many similarities with Loveland's location. The Chestnut Street site advantage is its proximity to Loveland's Downtown ambiance as well as the natural and recreational amenities adjoining the site.

New projects imply a cost factor that today often greatly exceeds the highly competitive market rates. The Chestnut Street site's public ownership may mitigate some development costs through incentives. This assumes that other factors bode well for the site in terms of location, access, and related issues.

Current economic conditions affect business behavior. Existing office market property owners are anxious to retain current tenants. At the same time, other properties offer extremely attractive rates and terms as incentives to relocate. Essentially, existing property owners' and managers' immediate goal is to maintain occupancy and cash flow.

A low absorption rate and current office tenants remaining in place at advantageous rates offered by property owners anxious to retain them do not bode well for new office and other commercial development in the Cincinnati region. These issues are further compounded if one considers that for every Cincinnati business opting for a build to suit arrangement returns square footage to the existing leasing market, further pushing the vacancy rates upward. Flat leasing rates make new construction less cost attractive.





# Development Opportunities



# Development Opportunities

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## Chestnut Street site

The Chestnut Street development site offers a significantly different promise. Office, mixed-use, medical/professional, senior mixed-use, and flex space developments are well reasoned choices to work in tandem with the Loveland Station proposal across the Little Miami River in Downtown Loveland. Chestnut Street development would generate a new cadre of employees working in offices on the site. They would augment the market initiated by Loveland Station.

The linkage between these new office employees and Downtown Loveland would be via a new pedestrian bridge across the river. The bridge would likely be sited at the Chestnut Street northeastern corner.

Proximity to Downtown Loveland is an attractive element and a general strength for all opportunity categories.

- **Ambiance:** Its ambiance is significantly enhanced by renovations and related improvements to buildings and public areas in recent years.
- **Destination Site:** The area is beginning to attract businesses that are quickly developing identities as destinations. Much of contemporary suburban development is set in predictable locations along major thoroughfares. Strip center and malls are complemented by a series of out lot developments. Loveland has a more low-keyed atmosphere with its small town look and feel.
- **Natural Setting:** The natural/environmental aspects of the Little Miami River and the Loveland Bike Trail are dominating activities that have potential to uniquely define a Loveland commercial location. The Loveland location on the bike trail functions almost like a trailhead. It has also become a major stopping point along the road network running from Milford north to Yellow Springs. Over the past three decades a number of linkages developed as additional bikeways were built. This has expanded the traveling possibilities along the bike route with the potential to blossom into a new distinct bike-related tourism industry.

Opportunities ranked in order of current feasibility in the near term:

1. Build-to-Suit
2. Mixed-Use
3. Medical Offices/Outpatient Services
4. Professional Office
5. Flex space: office/warehouse/light assembly
6. Senior Housing & Support Retail/Professional uses
7. Higher-Density Residential

# Development Opportunities

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## **Build-to-Suit:**

This is currently the only category of new commercial construction that developers consider viable in this current economic climate. The build-to-suit client has total control over design, space needs, office configuration, setting, amenities, etc. This option is Chestnut Street's greatest prospect.

Build-to-suit projects are often viewed as a testament to a company's success. More often, however, the category serves clients requiring a facility built to a specific standard. This option is particularly common among medical users.

## **Strengths**

- **Proprietary Control:** The Chestnut Street site offers a build to suit user a "clean slate" in terms of site configuration and environmental ambiance.
- **A Non-Traditional Setting:** The Chestnut Street site offers a series of amenities not typically found in office, commercial, and light industrial settings. Prospective tenants in developments at this site have the opportunity to visit Downtown Loveland, shop, eat, and have immediate access to recreational activities available along the river and bikeway. Few office concentrations outside the Central Business District in Cincinnati can provide tenants, visitors, and others access to such unique amenities.
- **Reasonable competition:** Loveland's closest comparison in the regional commercial real estate market is the East/Clermont sector. This sector shows generally modest, but nevertheless positive signs. Rental rates are lower.

## **Weaknesses**

- **Commuter Access:** The Chestnut Street site is located 2.9 miles from the I-275/Loveland-Madeira Road interchange. Most competing office sub-markets are located within close proximity to interstate or other major thoroughfares. For example, the Ronald Reagan Cross County Highway (Ohio Rt. 126) is situated 1.2 miles from the beginning of the Reed Hartman Highway corridor. The entire corridor is 5.3 miles, ending at the I-275 interchange #47.

In order to target the build to suit category, it becomes essential for Loveland to aggressively promote its identity against competing markets among both developers and potential build to suit clients.

# Development Opportunities

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## Mixed-Use:

### **Strengths**

- **Diverse Product:** Mixed-use projects attempt to address a series of development issues in one conceptual approach. Combining office, service/retail and often residential spaces, mixed-use projects attempt to re-create an intimate, well served, and accessible environment. From a financial perspective, they also seek to mitigate risk by spreading it among varying use categories.
- **Contemporary Development Concepts:** New Urbanism principles stress optimal pedestrian access, mixed-use development, and a diminished vehicular presence or appearance. These developments have become more attractive on a number of fronts.
- **Marketing Appeal:** These projects range from marketing approaches for refreshing more traditional but tiring commercial projects to targeted users such as senior citizens, single adults, young families, etc. Retail and services can be tailored to the residential group or commercial/professional tenants.
- **Young Professionals:** The recently named “creative class”, young, predominately single, professionals as a target group. It is argued that Loveland needs to invest in future residents who will put down roots in the community- roots put down in their early adulthood. The creative class is closely associated with the higher density, entertainment and culturally-oriented urban centers. Regional areas most mentioned are neighborhoods proximate to the urban core, such as Over-the-Rhine, Mt. Adams, Liberty Hill, Northside, Covington, and Newport. Loveland might prove to be the suburban equivalent of these areas in terms of ambiance and amenities.

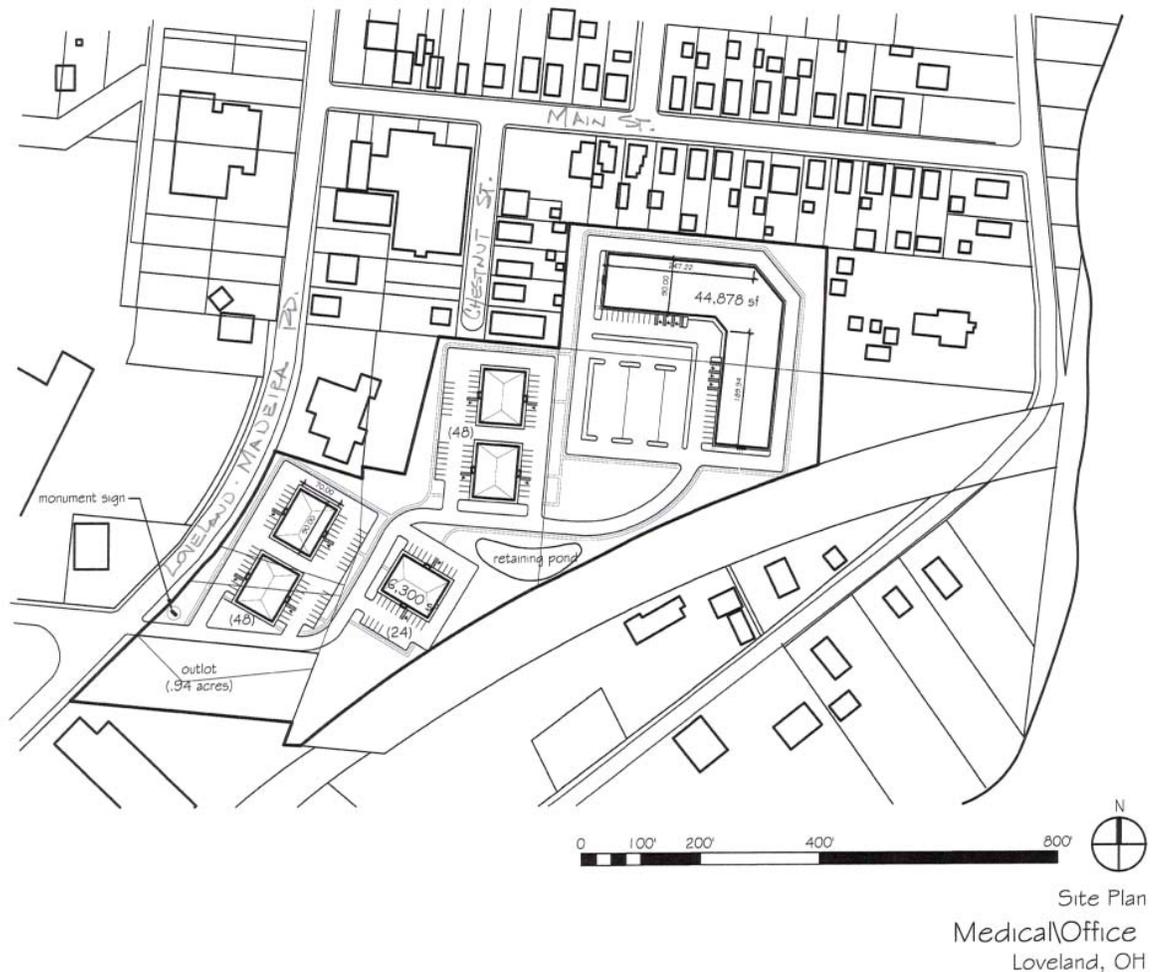
### **Weaknesses**

- **Derivative Product:** Though pedestrian –oriented within their respective boundaries, most require automobile access from one site to another. As a result, a veritable string of satellite facilities offer a slightly more intimate and perhaps even nostalgic setting for an urban experience that has with few exceptions, disappeared from the great American landscape.
- **Higher Density:** Interestingly, older, first generation suburban communities that intentionally abandoned much of the density and pedestrian character of their urban predecessors are now trying to selectively recapture some of those characteristics as amenities. City Neighborhoods, generally regarded as the quintessential example of walkable communities, have themselves tried to foster mixed-use projects that must ultimately resort to linkages through auto travel.

# Development Opportunities

## Medical Offices/Outpatient Services:

Figure 1.



This site plan illustrates the Chestnut Street site redeveloped for medical office use, with the major clinical, out-patient surgery, and office facility housed in an approximately 45k sf facility. This would be the equivalent to a base location for one of the region's medical specialty groups.

### **Strengths**

- **Growth Industry:** "Healthcare expenditures in the United States are expected to exceed \$33 billion by 2010, a 50% increase over 2002," said Denny Oklak, Duke Realty's chairman and chief executive officer. "Almost 35% of these expenditures will be for outpatient facilities such as medical office buildings, surgery centers, and clinics."
- **Rapidly Evolving Industry:** Though local development perspectives on healthcare facilities are demographically driven, with the recent West Chester Medical Center opening a prime example, the industry is in a fluid mode. New iterations on traditional treatment facilities are coming into play on a regular basis.

# Development Opportunities

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- **Longevity:** An aging population, a national dialogue on healthcare treatment access, and the expansion of medical sub-specialties are all factors that may change the physical medical landscape.
- **Institutional Changes:** Conventional hospitals are being transformed into predominately inpatient facilities. Administrative functions are being relocated to off-site office facilities. Perhaps the most dramatic development has been the proliferation of specialty practices that have moved beyond professional office facilities to expanded treatment centers with a greatly enhanced ability to offer out-patient surgical procedures.

## **Weaknesses**

- **Strategic Location:** New medical facilities are typically strategically located, either in demographically targeted areas or at major transportation interchanges that are positioned to receive patients from a broad patient base. Many projects involve restoration or retrofitting of existing facilities, while others become build-to-suit opportunities. The Cincinnati Eye Institute, one of the Cincinnati area's earliest medical specialty groups with a network of satellite locations throughout the Tri-State is headquartered in a renovated, larger facility adjacent to Reed Hartman Highway in Blue Ash. The Urology Group, with a similar location network, employed a similar strategy by electing to build a new base facility in Norwood, strategically located on the Norwood Lateral, a prime connector to major roadways.
- **Proximate Facilities:** General group practices such as Group Health Associates, Mercy, and Tri-Health all have facilities in close proximity to Loveland. The community does have a Tri-Health medical practice facility staffed by two physicians in the study area. Major medical hospitals are Bethesda North on Montgomery Road (5.9 miles) and Jewish Hospital (9.0 miles). Group Health Associates has family care & medical specialties facilities in Kenwood (8.5 miles) and Mason (7.6 miles). UC Physicians is located in West Chester (11.2 miles).

# Development Opportunities

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## **Professional Office:**

A number of professional firms in the accounting, legal, technical, architecture, design, and marketing fields have re-located their offices to locations outside the central cities. Once thought to be the most effective way to be in touch with clients, a Downtown office location is no longer viewed as a requirement. This can be attributed to a myriad of factors, including a move away from the formality that accompanied a location downtown.

### ***Strengths***

- **Unique Location:** A Loveland office location offers a relatively unique degree of the informality for many prospective users. The Chestnut Street site's proximity to both the Little Miami River and the Loveland Bike Trail offer recreational and exercise opportunities for those who wish to pursue these activities during the work day.
- **Physical Ambiance:** The atmosphere in Downtown Loveland projects a casual ambiance. Most suburban office locations are grouped at a distance from older, more casual areas.

The Chestnut Street site offers a location in a relatively natural, subdued setting. With adequate landscaping and building placement, the development could stand apart from more typical, conventional commercial projects that one finds in other areas.

- **Potential for Diverse Professional Environment:** As with similar professionally-oriented commercial complexes, Chestnut Street could offer a strong and diverse environment, with related fields in close proximity to one another.

### ***Weaknesses***

- **Access:** As noted previously, the I-275 access is relatively distant at 2.9 miles from the development site. This may be mitigated by the Kemper and Hopewell Road access to the Loveland-Madeira corridor. Both roads are relatively short, pleasant drives from established suburban areas.
- **Business to Business Proximity:** Larger corridors such as Reed Hartman Highway, West Chester, and Sharonville offer a greater opportunity for peer businesses to be in close proximity to one another. Perhaps this is a vestigial feature that was once considered common in Downtown office areas where similar disciplines were closely located. This may be a concept in decline as technology, telecommunications, and an increasing preference for informality continue to influence the conduct of daily business.
- **Speculative Development:** With few exceptions, professional firms will be leasing as opposed to owning their office space. Several legal firms have moved from Downtown Cincinnati to stand alone offices, either by purchasing an existing building or through new construction. These opportunities certainly exist in Loveland, but would perhaps not be suitable for the Chestnut Street site unless a major user entered into a build-to-suit situation described previously. In the absence of such a prospect, this type of office space would be in a speculative project setting.

# Development Opportunities

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## **Flex space: office/warehouse/light assembly:**

As the category name suggests, flex space can assume a broad range of formats.

### ***Strengths***

- **Adaptability:** Flex space's greatest strength is self-evident in that it can adapt to a broad range of markets. In a sense, it resembles a mixed-use project in that users can be accommodated more readily than in a dedicated office setting. This form of development may be unattractive to those users seeking to locate in a casual, yet uniform environment. These misgivings are relatively easy to overcome through effective marketing. A flex-space developer would likely be well prepared in creating an image of flex space that features diversified activities, relatively easy space conversion.

### ***Weaknesses***

- **Logistical Incompatibility:** Though compelling positions can be developed to support flex space, they are often countered by the argument that logistics involved with a variety of work places can come into conflict with one another. Issues regarding ingress/egress, sound levels, vehicular/truck traffic, etc, have all been cited as intrusive elements attributable to flex space. Again, citing effective marketing, prospective users would be both well acquainted with the concept and accepting of its limitations.
- **Tenants' Market:** The region is experiencing a "tenant's market", prompting some dramatic moves among the larger businesses in the Cincinnati market. Property owners are determined to retain their tenant base and are offering highly attractive rates and other incentives to their current tenants. Businesses have made highly publicized moves over the past year for more attractive leasing terms. The resulting rental market is flat and added square footage further extends the time frame for absorption. Flex space is rapidly becoming an option in many existing projects as the need to place space under lease becomes more intense. Accordingly, these users have a relatively broad choice options and costs.

# Development Opportunities

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## **Senior Housing & Support Retail/Professional uses:**

Medical science has increased longevity to unprecedented levels. A rising senior population suggests challenges in a broad range of fields and issues. Housing is a prominent category. Senior residents outgrow their family homes and seek a new level of efficiency that is manageable without sacrificing comfort. Others need assisted living options beyond [traditional] institutional settings. Still others express a need to maintain a level of physical activity and social interaction heretofore uncharacteristic of senior lifestyles. The development community has responded to these demands with prompt efficiency. Contemporary senior housing is a rapidly expanding segment of the development industry. It is tempered by economic conditions and the social norms of local communities and markets. This type of development may be very well suited to Loveland's general setting and Chestnut Street in particular.

### **Strengths**

- **Longevity Rates:** Senior housing and mixed-use development has been frequently cited as a logical option when one considers that national longevity rates are continually increasing as medical and technological advancements enhance seniors' life expectancy and quality of life.
- **Population Projections:** Miami University's Scripps Gerontology Center has estimated Hamilton County's 60-and-over population at about 145,000, projected to rise to 175,000 by 2020.
- **Low Supply:** Occupancy rates in Cincinnati complexes are below industry norms and below the current national average. Most local developers, however, feel that despite the increasing demand, it will take at least 2 to 5 years for construction to resume through normal financing channels.
- **Market:** Though this seems to be a relatively conservative set of statistics, Cincinnati actually displays a higher market penetration than "rust belt" areas such as Pittsburgh, where the resistance to a move is higher. This is in large part based on older, staid communities that acted as touchstones for both family life and senior years based on social, religious, and cultural values.
- **Diverse Facilities:** The Cincinnati region ranks third nationally for number of continuing care retirement communities, which include the full range of options – independent living, assisted living and nursing home care – at one location, according to a recent report by Ziegler Capital Markets. The Tri-State has 39 of the properties, behind the Philadelphia metro area's 88 and Chicago's 59. We are, however, identifying an opportunity for development of independent living units on considerably smaller property sites than the full service institutional developments noted here.
- **Local Initiatives:** The City of Montgomery for example, has promoted townhouse development in its Old Montgomery area in the vicinity of Montgomery and Cooper Roads. The central hypothesis was that residents who spent their earlier years raising families in Montgomery's numerous subdivisions would be inclined to maintain their personal relationships and the civic life that had developed over the years. This is a trend that may spread to "first suburban" communities that need to sustain themselves on continuing family settlement and growth, but also value the [continued] presence of their former residents. Once again, however, this initiative has experienced a significant setback through the national recession and local hesitation on the part of developers, lenders, and the marketplace.

# Development Opportunities

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## **Weaknesses**

- **Regional Character:** Cincinnati has a unique senior housing market. HCDC consulted with firms, appraisers, and planners specializing in this type of residential development.
- **Logistics:** There is a general belief that if they unilaterally decide to move, senior citizens in the Cincinnati metropolitan area tend to stay within a 10 mile radius of their former family home. If they intend to relocate to a new residence, 70% of a development's marketing potential will be derived from that area. A move is typically prompted by a relative, typically an adult child.
- **Tight Market:** Given the radius noted above, the total market exists in a relatively crowded senior housing market. Maple Knoll Village is a major senior-oriented complex of residential units, community amenities, limited retail goods & services (though reasonably proximate to same), religious institutions, etc. Evergreen is an independent, assisted living, and in-patient nursing care complex south of the City of Wyoming on Galbraith Road. Many of the newer senior-oriented facilities have been developed within a 5-20 miles from Loveland.

A ten mile radius essentially encompasses the entire county. A potential development in Loveland would be competing against a large field of established facilities with extensive and mature support elements.

"Properties recently built or expanded include the Stratford at Kenwood, the Barrington of Oakley, the Barrington of West Chester, Pinebrook Senior Living in Milford, Renaissance West at North Bend Crossing, and the Dupree House in Hyde Park/Oakley. The market for these comprehensive care facilities appears to be over-saturated". - Cincinnati Business Courier

- **Capacity Issues:** Independent-living operators like to run at 92 percent occupancy. The national average now is close to 89 percent. Greater Cincinnati's rate is about 86 percent, according to the National Investment Center for the Seniors Housing & Care Industry. Local developers add that the condominium market in this category is considerably riskier than rental units.
- **Market Uncertainties:** The market is insufficient to accommodate the increasing senior population, but is also hesitant to embark on new developments. Demand will accrue over the next 2-5 years. Accordingly, this is a potent, but not imminent opportunity.

# Development Opportunities

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## **Higher-Density Residential:**

It is conceivable, though at a relatively low ranking, for the Chestnut Street site to be considered as a higher-density residential community.

### ***Strengths***

- **Viability:** The aforementioned senior-oriented development certainly implies this type of building pattern, augmented by supportive medical service and convenience retail/service establishments. This higher density residential pattern is more suggestive of small communities than the now ubiquitous subdivisions commonly viewed as typical of contemporary suburban living.
- **Attractive Environmental Ambiance:** Residential settings can be dramatically integrated into a wooded site proximate to the river, older, existing residences, and Downtown Loveland's small town ambiance.
- **Economic Support Base for Emerging Businesses:** Residential development would create full – time customers for convenience and service retail on Loveland-Madeira Road as well as across the river. Destination businesses such as restaurants and retail specialty shops in Downtown Loveland would be encouraged by an emerging customer base that identifies with local retail/service business activity in close proximity to their residences.
- **Expanded Design Potential:** Physical design opportunities may be more plentiful and adaptable to the natural setting.

### ***Weaknesses***

- **Resistance to High Density:** It is reasonably predictable that in most discussions of increased density in residential development initiate numerous arguments that predict negative outcomes. The low-density development that defined suburban growth over 6 decades has come to be viewed as both the norm and a proven deterrent to a broad range of ills. Traditional [negative] positions have been both challenged and softened by movements involving energy efficiency, general conservation, a return to a simpler pedestrian-oriented lifestyle, etc.
- **Revenue Streams:** It can be effectively advanced that commercial /office development generates a greater revenue stream to the local government and economy.

# Development Opportunities

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## Loveland-Madeira Road Study Area

### **Highest and Best Use:**

This is a common term in real estate property appraisal vernacular. It also frames discussions regarding real estate redevelopment. The term identifies use as a paramount factor in determining property value. In the course of surveying properties along the eastern side of Loveland-Madeira Road the question of “highest and best use” is frequently asked in both development and government circles. In these contexts the term is applied to creating opportunities for new development which will in turn result in higher property valuations and hopefully spurn additional similar activity in the larger area.

The automotive-related businesses date as far back as the late 1940's through the 1960's when Loveland's main commercial concentration was in its Downtown area. Loveland-Madeira Road was on the community's outer fringe. Moving ahead several decades finds automotive retail/service businesses still on the community's outer reaches, though now that location has moved to the I-275 intersection, approximately 3 miles to the south where it is joined by a broad range of retail/service activities formerly located closer to the center of Loveland.

Considering that with the exception of the KOI location at Main Street and Loveland Chiropractic Offices at Loveland-Madeira Road, most of these sites are dated, marginally tenanted, and relatively obsolete. These conditions can form a fairly solid argument for encouraging new development at a higher use. The position is further strengthened by noting that similar retail and service space is available both in and at the outer rim of town.

The Shoppers Haven facility would likely meet this same test, based on the facility's ability to continue functioning in the manner for which it was designed. The absence of functioning anchor tenants depresses the property's value to businesses and shoppers.

Like other, similarly configured strip centers, Shoppers Haven offers space at value rates, as it can no longer offer the customer-generating presence of traditional anchor tenants. It differs from many other strip center properties in that it still maintains a tenant base that appears to effectively serve the local community. It has not experienced the wave of lower tier tenants that all too often become perceptual harbingers of decline in dated commercial properties.

Finally, the property's footprint at slightly over 5.2 acres is the largest of any property along the Loveland-Madeira Road study area. Surplus retail/service space is plentiful within both the study area and throughout the Loveland-Madeira Road commercial corridor.



# Recommendations



# Recommendations

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## Chestnut Street Site

### 1. Monitor Economic/Development Recovery

The City should not expect any significant interest or activity on the Chestnut Street site in the near term. This does not, however, rule out the advisability of exploring the prospective market through the issuance of an RFP when early signs of renewed development activity begin to appear. Loveland officials should monitor development activities through various sources to determine if there is potential interest in Chestnut Street.

### 2. Strategic Marketing/Promotion

For the near future, prospective development will likely involve a build to suit arrangement or an institutional project. This situation demands that jurisdictions within the region's submarkets establish ongoing relationships with individual development interests and their representative organizations. These relationships should be aggressively marketed in terms of Loveland's unique attractiveness as a prospective location choice.

### 3. Best Opportunities

Once an economic recovery is in force, office demand will trail employment gains by as much as a year. Build to suit developments, however, remove the speculative element and eliminate the lion's share of risk.

### 4. Ongoing Research

Loveland should develop an ongoing research effort to track growth areas within office, commercial, and service economies. For example, the healthcare industry continues to be a growing field. This growth and diversification translates into demand for new facilities. City officials and others engaged within the community need to investigate the scope and direction of such development.

### 5. Promote Loveland's lifestyle

In addition to researching business growth in specific industries, the City should also investigate shifts in location preferences as a function of lifestyle. The goals of a pedestrian-friendly environment, increased density, and emphasizing the role of recreational amenities address a select client base. That group's growth and geographic expansion are crucial factors in promoting Loveland as a unique lifestyle-oriented location choice.

### 6. Mixed-Use and Residential Options

Loveland should not summarily dismiss the concept of mixed-use development or residential development on the Chestnut Street site.

# Recommendations

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## Loveland-Madeira Road

### 1. Chestnut Street Site Access Point

Investigate acquisition of properties in the study area that could combine to form a formal entrance point to the Chestnut Street development. There are numerous choices. There is also the possibility that multiple property owners might wish to become involved as equity stakeholders in either an extension of the initial Chestnut Street assemblage or as parties to a successor project along Loveland—Madeira Road.

### 2. Utilize the Current Zoning Regulations as a Source of Encouragement as well as Regulation

Though many properties in the study area are functionally obsolete, it is perhaps unreasonable to assume that they will be replaced in short order with more contemporary development. From a regulatory standpoint the zoning and land codes should command consistent and fair enforcement.

### 3. Continue involvement with the First Suburbs

Cincinnati's First Suburbs Consortium is a regional effort aligned with the state-wide organization advocating maturing communities. Many first suburbs now face problems that confronted the urban core over the past three decades. Problems once exclusive to the urban environment now confront older suburbs' viability, as more contemporary suburban development challenges them in the real estate marketplace. Issues vary by the degree of distress they present to the community fabric. Vacant properties, persistent code violations, obsolete real estate, absentee landlords, and the erosion of single family ownership are all issues that threaten both community perceptions and stability. Not all communities under the First Suburbs banner are similarly dogged by such issues. Others have differing interests relating to sustaining a demographic base that seeks to maintain the family as the basic living unit as well as adapting to growing household alternatives.

Loveland shares few of the debilitating issues with First Suburbs communities. That does not, however, rule out its continued association with this group. The Chestnut Street initiative is based on the idea that creating a micro-urban environment is both attentive to past traditions and inquisitive about new ways to view a modern idea of community

# Appendix



# Appendix

## Economic Development Lending & Incentive Initiatives

### Community Reinvestment Area Program

The Community Reinvestment Area (CRA) program is similar to the Enterprise Zone Program. It is a real property tax exemption on new investment (new building construction or major renovation). The difference being a CRA is eligible to commercial and industrial companies as well as retail and housing developments. The amount of tax exemption for commercial and industrial users is negotiated on an individual project basis and varies according to the size of the investment, jobs created and other factors. Like the Enterprise Zone program, an agreement must be in place between the company and the jurisdiction before a project commences. Residential projects do not have to apply prior to the project commencing but it is recommended that the homeowner confirm they are within a CRA before starting the project.

### SBA 504

The SBA 504 loan program is a long-term financing tool for economic development within a community. The 504 Program provides growing businesses with long-term, fixed-rate financing for major fixed assets, such as land and buildings.

Typically, a 504 project includes a loan secured with a senior lien from a private-sector lender covering up to 50 percent of the project cost, a loan secured with a junior lien from HCDC (backed by a 100 percent SBA-guaranteed debenture) covering up to 40 percent of the cost, and a contribution of at least 10 percent equity from the small business being helped.

### How the 504 Program Works

HCDC provides subordinated, fixed interest rate, long-term loans for up to 40% of project costs up to \$5.5 million. Terms are 10 and 20 years, depending on the economic life of the asset being financed.

### Who Is Eligible for the 504 Loan Program?

- For-profit corporations, partnerships and proprietorships.
- Businesses whose net worth does not exceed \$15,000,000.
- Net after tax profits must average less than \$5,000,000 during the previous two years.

### Applicants Involved in the Following are Ineligible:

- Speculation
- Non-profit institutions
- Lending or investment
- Rental property held primarily for sale or investment

### What Is Eligible for the 504 Loan Program?

- Financing for land acquisition
- Financing for building acquisition or construction
- Financing for renovation or expansion
- Financing for machinery and equipment with a useful life of 10 years or more
- Soft costs for appraisals, general surveying, architectural work and installation.

### Conditions for the 504 Loan Program:

- Refinancing of an existing obligation is generally ineligible.
- Inventory and working capital financing is ineligible.
- For new construction, the company must occupy 60% of the building initially; occupy an additional 20% of the facility within 10 years and may lease long term no more than the remaining 20%.
- Company owners may own the building and lease to the company.
- One job must be created or retained for each \$65,000 in 504 funds loaned or other economic development goals must be met (i.e., loans to minorities, project located in rural area).
- All owners of 20% or more of the company stock will be required to personally guarantee the loan.
- A 504 loan may be prepaid. No partial prepayment, however, is permitted. A declining penalty is assessed during the first half of the loan term.
- Start up businesses and/or single purpose facilities require a higher owner equity injection.

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