

The Consortium's vision for residential development in Uptown is clear. This vision encourages mixed-income resident development with a significant increase in the number of units, rehabilitation of existing properties, increased homeownership and enhances the quality of rental properties for neighborhood residents and newcomers of diverse incomes.

The Neighborhoods

Uptown's neighborhoods range from quite healthy areas such as Clifton to considerably more distressed areas such as parts of Avondale, Corryville and Mt. Auburn.

Uptown's neighborhoods are ethnically and racially diverse. Yet within each neighborhood, much less ethnic, racial and economic diversity exists. (See charts next page)

There is a significant amount of development activity within and around Uptown. While largely supported through the University's partnership with urban redevelopment corporations around its campus, several of these projects promise to

bring new vitality to Uptown.

Approximately, 1,000 units of market rate housing are in the pipeline. High land costs and the unavailability of sites contribute to a slower pace in the mixed-income residential market; however, several nonprofit developers and entrepreneurs view this as a market with unmet demand. The Uptown Consortium's residential strategy will require different interventions in these diverse neighborhoods based on their market conditions.

Uptown's neighborhoods have a large proportion of older homes that have been converted into multi-family. For example, Avondale's large, older homes may be an attractive option for nearby hospital and employees but issues of real and

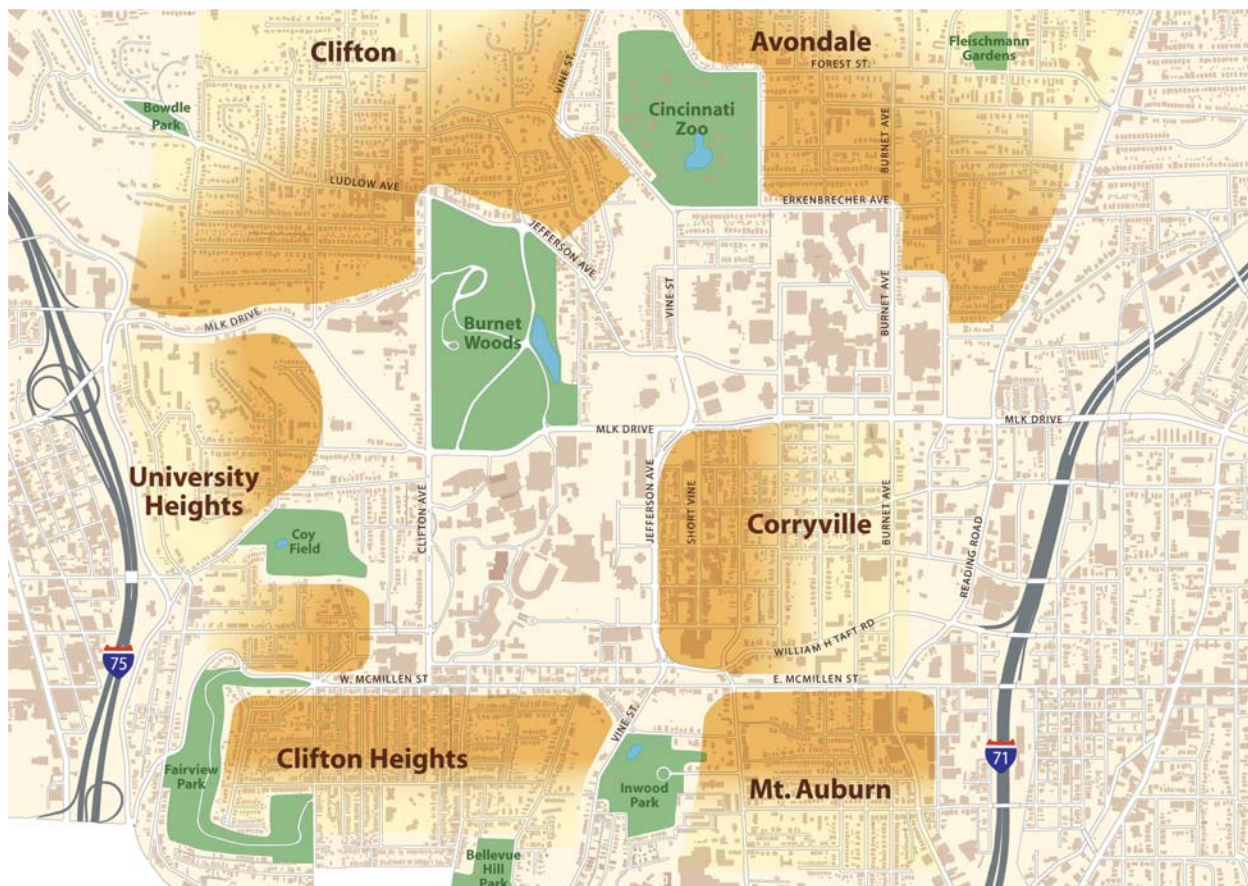


Fig 4.1 Uptown's distinct neighborhoods.

perceived public safety challenges continue to be a factor in attracting new residents.

Some Consortium Members have offered, or currently offer, homeownership assistance programs for their employees who wish to live in Uptown and the greater Cincinnati region. These programs are of varying scale and scope. Such programs could be part of the Consortium's strategy to increase Uptown's homeownership rates. (See matrix next page)

Uptown's homeownership rate is almost 15% below the city's average. Some areas, namely University Heights and Corryville are also characterized by high turnover rate due to a high concentration of students and other transient, renter populations. These conditions explain the high level of building deterioration within some of Uptown's neighborhoods.

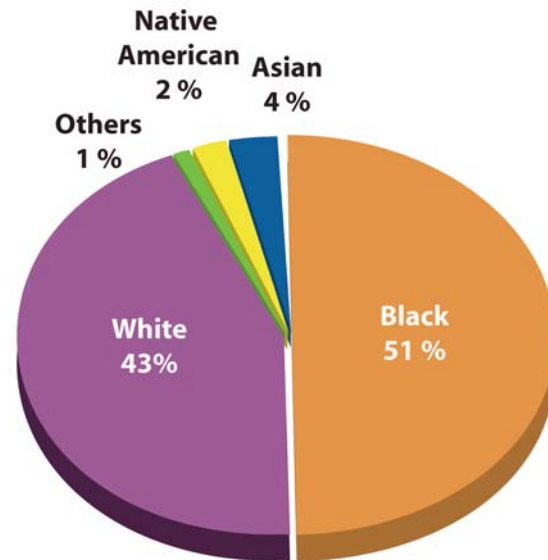


Fig 4.2 Racial composition of total Uptown population (%).

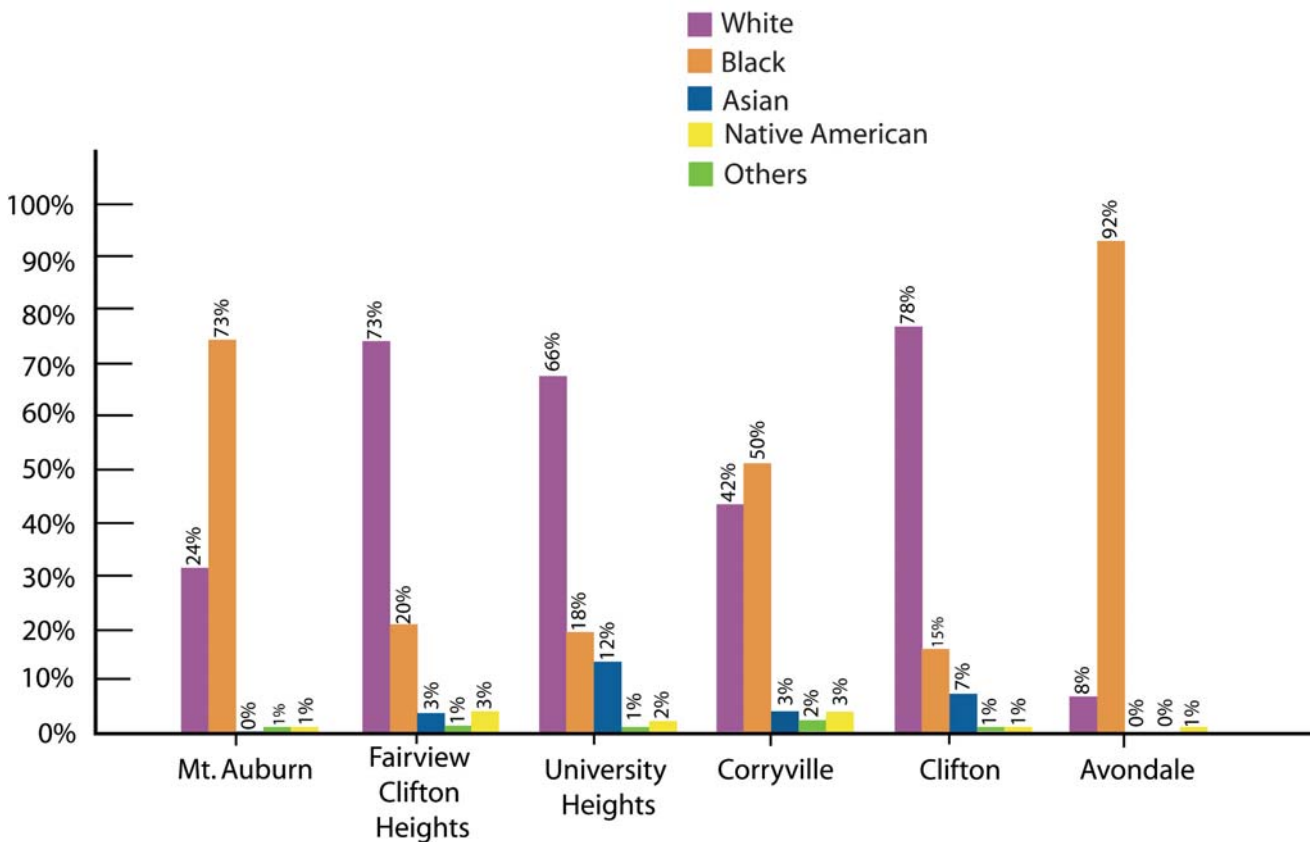


Fig 4.3 Racial composition by neighborhood (% by household).

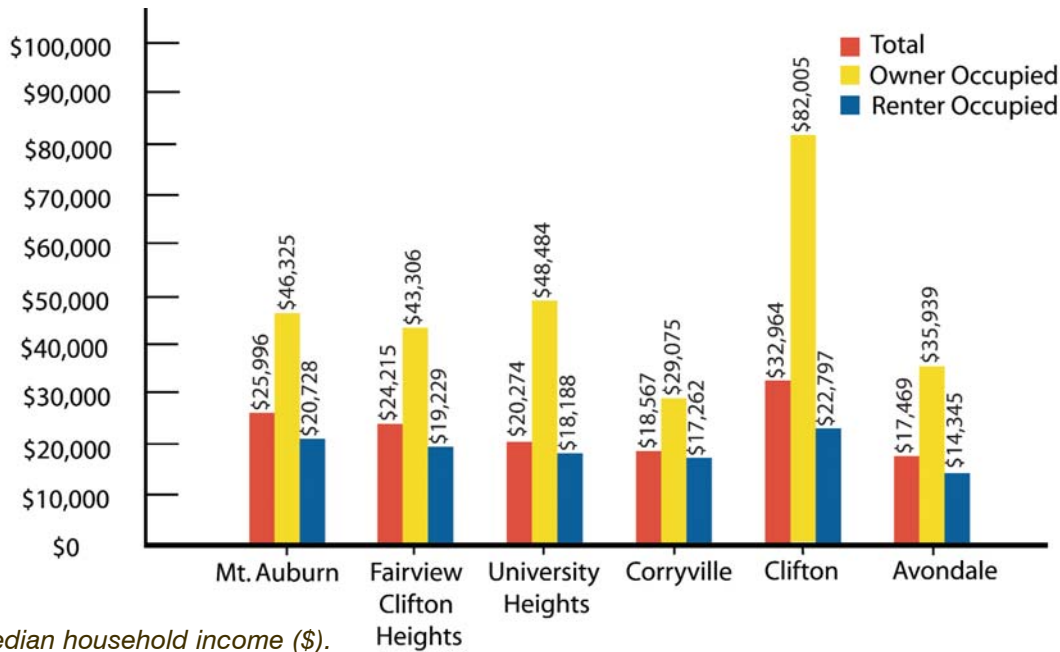


Fig 4.4 Median household income (\$).

Uptown Consortium Members' Employer Assisted Housing Programs:	University of Cincinnati (1)	Cincinnati Children's Hospital Medical Center (2)	Cincinnati Zoo and Botanical Garden	Health Alliance (3)	Tri-Health (4)
Program Inception Date	1999	2002	NA	NA	2002
Participants (Since inception)	~200	~150	NA	NA	3
New Homeowners (Since inception)	~15	20-25	NA	NA	0
Financial Assistance Programs:					
Program Duration	24 months	12-18 months	-	-	60 months
Down Payment Assistance (Max)	\$2,500	-	-	-	\$5,000
Closing Cost Assistance (Max)	\$2,500	\$2,500-5,000	-	-	\$5,000
Low Interest Mortgages	-	-	-	-	-
Facade Improvement	-	-	-	-	-
Rehab Financing	-	-	-	-	-
Technical Assistance Programs:					
Homeownership Training	Yes	Yes	-	-	Yes
Credit Readiness	Yes	Yes	-	-	Yes
Budgeting & Personal Finance	Yes	Yes	-	-	Yes

(1) The University's maximum financial assistance benefit of \$2500 can be used towards the down payment or closing costs, not both simultaneously.

(2) Children's Hospital does not have an established maximum for the amount of financial assistance applied towards closing costs. However, they estimate that based on housing prices in the Uptown area, closing costs should range between \$2,500 and \$5,000.

(3) Health Alliance participated in a housing benefit program operated by the Greater Cincinnati Mortgage Counseling Service, which closed its doors last year.

(4) TriHealth's maximum financial assistance benefit of \$5,000 can be used towards the down payment or closing costs, not both simultaneously.

Residential Strategy

The Consortium's residential interventions must take a market-orientation. It must work to build homeowner, landlord and equity investor confidence to ensure Uptown is a viable location for new housing development. The strategy will leverage the following opportunities:

Strategic Opportunity 1

The Consortium needs multiple development tools to respond to varying neighborhood needs. The Consortium must develop an aggressive, strategic and targeted land assembly approach. A key constraint in achieving the goal of building new residential units is the lack of available sites.

A. Site acquisition

The Consortium must develop an acquisition strategy for short-term action and a long-term approach for land assembly for future development. The Consortium should create an accurate map that identifies land owned by members of the Consortium, the City, and other public bodies. This map would provide some insight into where the site acquisition opportunities may exist. The Consortium should initiate a discussion with city officials and neighborhood community councils about site assembly opportunities that may be leveraged with city involvement.

B. Land acquisition entity

The Consortium, or one of its strategic partners, needs to control the process of acquiring and disposing of land in the neighborhoods. If the Consortium assumes this role it should create a wholly-owned subsidiary that has the responsibility and expertise to assemble land, maintain it on an interim basis, reparcelize it, as needed, and sell the land (subject to redevelopment agreements) to developers. Since there are other parts of the city where this land function is needed, it is possible that the entity could provide the service on a contract basis to 3CDC and other nonprofits.

C. Acquisition financing

Presumably, a source of capital could be found that would be willing to lend it to an entity that would acquire and hold the land. Proceeds would be repaid when land is sold for development. The Annie E. Casey Foundation and Johns Hopkins University are guaranteeing a \$15 million borrowing from Bank of America to East Baltimore Development Inc. (EBDI). EBDI is responsible for redeveloping a large deteriorated area of East Baltimore, and the proceeds from Bank of America are being used to finance the land acquisition needed to redevelop the area. The loan will be repaid from land sales and a pledge of the tax increment to be generated by the project. A land assembly fund, similar in scale and creativity, is needed in Cincinnati to serve Uptown. The Uptown Consortium members are the most likely participants in such a fund.

Strategic Opportunity 2

Create a highly leveraged capital finance and acquisition fund for specific Uptown mixed-use development. Members of the Consortium have agreed to pool their combined resources to finance mixed-use development in Uptown. The terms of engagement for this fund must be established, as well, the identification of potential strategic lending partners. One of the key roles that the fund may play is to provide private capital as second mortgages to ensure that homes are affordable to low-income buyers in exchange for a share in future appreciation. In addition to the fund, there are additional necessary components to the Consortium's financial toolkit:

A. First Mortgage Financing

Initiate discussions with key players in the city's lending community about financing opportunities. Historically, Cincinnati's lending community has been more cautious than cities such as Cleveland and Pittsburgh. In these cities, individual lenders and the lending industry have made substantial commitments of first mortgage capital for lending in distressed neighborhoods. A key element to increasing homeownership and getting capital flowing to the Uptown area is for the Consortium to elicit a commitment of first mortgage funds that serve the neighborhood for years to come. Presuming a buyer is credit worthy, there should be ample first mortgage capital at competitive rates offered within Uptown. It is especially important that the financing make it easy for homebuyers to purchase and rehabilitate homes.

B. Single-Family Affordable Finance

As new homes are developed in the neighborhood there is likely to be a gap between development costs and target sales prices to keep homes affordable. The lower sales prices will be due to relatively low demand and appraisals that may not be as high as development costs, creating a gap between the amount of first mortgages available and the cost of the home. However, given the reasonable assumption that housing values have been and will continue to rise in Uptown, it may be possible to raise capital in a private equity fund that

invests in these new homes in exchange for a share in the appreciation. This approach has been used successfully in Marin County, California, and is now in the planning stages in New York City and Boston. The Consortium should stay in close touch with the development of this product in these other cities to determine the possible timing, structure, and size of such a product for Uptown.

C. Multi-Family Affordable Finance

Homeownership is a key priority for the Consortium; however, in select neighborhoods, market-rate rental housing is also needed, either as stand-alone projects, or combined with low-income units to produce mixed-income housing. There appears to be a need for equity finance, similar to what is underway in Columbus, and what is being planned by the Cincinnati Center City Development Corporation (3CDC). At this stage of analysis, it is difficult to estimate the gap but it is likely to be larger than what is needed in the strongest parts of downtown and similar to the needed gap fillers in the Over the Rhine community.

D. Land Bank Financing

It is reported that area developers pay an average \$2,500 per lot. Presumably this figure approaches \$4,000 in more expensive neighborhoods of Uptown. To make a substantial impact on land acquisition, an acquisition fund in the range of at least \$5 million should be explored. These funds would revolve back to the capital sources when sold for housing development. The University of Cincinnati has, de facto, been providing such capital on a case-by-case basis through its partnerships with local urban redevelopment corporations. This approach would engage all needed partners in this acquisition fund and strategically acquire land to meet the Consortium's overall objectives.

Strategic Opportunity 3

Create a multi-level homeownership program for Uptown renters and owners to increase neighborhood rates. Uptown's neighborhoods would be more stable for existing and new residents if the homeownership rates could be substantially increased. The Consortium's plan to accomplish this goal should include the following elements:

- A. Connect residents to existing counseling efforts in the community to encourage more renters to become homebuyers.
- B. Improve Member employer-assisted housing programs targeted to Uptown's neighborhoods. Successful programs from around the country indicate that there are five critical factors for a successful homeownership programs: geographically targeted, financial incentives, homeownership education, marketing and performance metrics.

The arrangement that would be most beneficial to Uptown would be for Consortium Members to offer a significant financial incentive to employees who agree to become homeowners in Uptown. This incentive should be higher than that offered to employees who want to buy a home in the greater Cincinnati region. There should be a significant differential benefit offered to those who choose to live and buy in Uptown.

- C. Identify sites for new homes to be built and market those sites to homebuilders and developers. This effort should be part of a larger communications strategy to inform the developer and investment sectors that Uptown is a strong market.
- D. Partner with the Cincinnati Development Fund (CDF) to provide a pool of below-market working capital for developers producing homeownership units-new and rehabbed.

Strategic Opportunity 4

Coordinate with neighborhood, city, state and federal improvement and investment programs to rehabilitate homes for new and existing residents.

A. The County's Home Improvement Program (HIP) provides below-market rate rehab financing to homeowners anywhere in the county, using a compensating balance approach. This program should be marketed extensively in Uptown to encourage property improvements. The Consortium should explore, with the City as a strategic partner, a program for landlords, who wish to buy or to rehab in the neighborhood, a program to provide gap capital for small rental rehabs. This kind of program can be difficult to administer, but it is possible that the City could contract out its management. Federal HOME and CDBG funds are the likely sources of capital for this program.

B. Utilize Code Enforcement for Negligent Landlords. The University of Cincinnati has 30,000 students but only 3,300 dorm beds on campus. Even counting the construction of privately owned student housing underway on Calhoun Street and Stratford Village; the long-term reality is that the vast bulk of students will continue to live off campus. This privately provided student housing saturates some of the neighborhoods near the University, bidding up rents as students share housing, willing to pay more than other market segments. Since the long-range plans for University-owned student housing do not change this reality, the Consortium's housing strategy will have to contend with overheated markets and physically deteriorated housing. The Consortium will need to work closely with the University, city government, and community leaders to use code enforcement to bring legal action against those landlords who do not maintain their properties at code level. The Consortium may also partner with local community councils to identify distressed properties and work with those homeowners, who may be elderly or low income; to match them with city and county homeowner programs.

To ensure low-income rental housing opportunities within Uptown, the Consortium should work with the development industry-for profit and nonprofit-to see to it that at least one low-income tax credit allocation is made to the neighborhood annually. This allocation may be applied to units that are part of a mixed-income, or a stand-alone low-income development.