



Dayton Arcade's \$500K tax bill eliminated

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First phase of rehab would include a \$17.6 million artist housing component.

The Montgomery County Land Bank agreed to take ownership of the bulk of the Dayton Arcade to eliminate more than \$500,000 in delinquent taxes to help redevelop the complex.

The land bank's board of directors Thursday voted unanimously to accept the deed to five of the Arcade buildings from the current owners in lieu of foreclosure.

The land bank will enter into an agreement to lease and sell the properties to the partnership team that plans to invest tens of millions of dollars into rehabbing the iconic group of interconnected buildings.

The land bank's assistance was financially necessary to ensure the highly distressed Arcade property can be returned to productive use through an economically viable project, board members said.

"We're effectively re-positioning the property for redevelopment," said Mike Graub, executive director of the Montgomery County Land Bank.

A development partnership that consists of Maryland-based Cross Street Partners and Dayton-based Miller-Valentine Group propose redeveloping the Dayton Arcade in stages.

The first phase would include a \$17.6 million artist housing component and a \$25.2 million commercial component, according to information from Miller-Valentine.

The second phase would consist of a \$15.4 million investment in artist housing and \$13.3 million in commercial spaces. A third stage is also planned.

The artist housing project was awarded about \$20 million from the state in low-income housing tax credits, and the developers are seeking millions of dollars in state historic tax credits.

But the development group does not yet own or control the property, which is a requirement to be eligible for state historic tax credits. The application for the next round of credits are due at the end of this month.

The agreement approved Thursday will allow the Arcade's current owner, Gunther Berg, to transfer the property deed to the land bank in exchange for the elimination of his tax liability.

This newspaper in June reported that the Dayton Arcade had a \$529,400 tax bill. Cross Street Partners owned SHPS Investors LLC, which was under contract to buy the Arcade from Gunther Berg.

The land bank has agreed to transfer ownership of the five Arcade properties to the new developers. The developers must take ownership within six years.

The land bank will charge the developers a one-time, \$50,000 transfer fee as well as \$10,000 for leasing, Grauwelman said.

Cross Street Partners will have to cover the costs of maintenance, insurance and other property expenses.

The land bank has several courses of action if the developers default on their payments, including forcing the property into their possession, officials said.

The removal of the delinquent taxes is in the best interest of the community because those costs could have jeopardized the redevelopment of the complex, land bank officials said.

The real estate taxes were likely uncollectable because of the deteriorating condition of the complex and the high costs of redevelopment, Grauwelman said.

The Arcade property is valued at \$275,000, but that's really the value of the land underneath the buildings, which are a \$12 million liability, he said.

The Arcade is a major community asset and this is the best chance the complex has had in two decades to be brought back to life, said Aaron Sorrell, Dayton's director of planning and community development.

Developers hope to create 135 housing units geared toward creative types in the Arcade, including 24 market-rate units, said Dave Williams, vice president of urban development with Miller-Valentine Group.

Other essential components include retail, restaurants, sidewalk cafe spaces and creative, co-share spaces, Williams said.

Developers want to create a kitchen incubator to serve early-stage food businesses and public event spaces.

A key part of the plan is a boutique hotel, likely in the north part of the Arcade featuring 50 to 80 rooms, Williams said.

“We just don’t have an offering that makes downtown overnight stay a whole lot of fun ... it’s a one-dimensional experience most of the time,” Williams said.