

Developers go after millions in funding for Dayton projects

CLOSER LOOK



Developers plan to seek \$5 million in state historic tax credits for renovation of the Centre City building in downtown Dayton. The project previously won an award, but developers had to forfeit it after failing to make progress. CORNELIUS FROLIK / STAFF



Work continues at the Arcade on the Third Street side of the building, on Sept. 27. JIM NOELKER / STAFF

BY CORNELIUS FROLIK - STAFF WRITER

Heavy hitters in downtown Dayton redevelopment efforts are vying for state tax incentives for major investments that they say will build on their successful and celebrated revitalization projects.

A group redeveloping the Dayton Arcade is seeking about \$14 million in state tax credits to help fund \$140 million in projects for the “Arcade District.”

The funding would help make additional improvements at the historic arcade complex, plus renovate a large nearby office tower called the Centre City building and a parking garage.

“This is our third attempt to win a (Transformational Mixed-Use Development Program) tax credit allocation and (is) critical to the continued redevelopment of the south-end of downtown Dayton,” said David Williams, vice president of development of the Dayton office for Cross Street Partners.

A developer behind the Water Street District wants \$4.3 million in tax incentives to help

fund its \$98 million renovation of the Delco, a very large commercial property across from Day Air Ballpark that is supposed to transition to a variety of new uses.

Transformative

The Arcade District and Water Street District developers have sought Transformational Mixed-Use Development Program credits in one or both of the state's two previous funding rounds, but they were not successful.

The deadline to apply for a third round of funding was in September.

State lawmakers created the Transformational Mixed- Use Development Program a few years ago to offer new financial assistance to projects that will have a "major economic impact" on development sites and surrounding areas.

Eligible projects must have a combination of retail, office, residential, recreation, structured parking and other kinds of similar uses.

The state awarded \$100 million in tax incentives in each of the previous two funding rounds. Twenty-five projects already have won awards, but none were in the Dayton area.

The Ohio Department of Development received 33 applications for round 3 funding, but the total amount requested — \$285 million — far exceeds the \$100 million the state has to dole out.

Dayton Arcade

Dayton Arcade Partners LLC has applied for the credits in all three funding rounds.

The funding would help build out several tenant spaces in the southern part of the arcade, plus help complete construction on the northern part of the complex at a time of skyrocketing building costs, said Williams, with Cross Street Partners.

Tax credits also would help renovate the nearby Air City Garage on East Fourth Street.

The bulk of the incentives — about \$8 million — would be put toward rehabbing the empty Centre City building, 40 S. Main St., across from the arcade, Williams said.

Cross Street Partners is one of the partners on the Dayton Arcade project, along with the Model Group and McCormack Baron Salazar.

The 21-story Centre City building already has won about \$8.6 million in state historic preservation tax credits for a proposed rehab project that is expected to cost \$88 million or more.

Cincinnati-based Model

Group plans to convert the property into about 200 housing units and 53,000 square feet of commercial space.

The high-rise, also called the United Brethren Publishing House, has been vacant since 2012, and multiple redevelopment proposals for the property over the years never made much progress.

Williams said the overall planned investment in the Dayton Arcade project is about \$160 million. The investment in the Centre City building and the Arcade District garage is expected to be about \$104 million, he said.

Work on the Dayton Arcade keeps chugging along; new businesses recently have opened and construction continues on a 94-room Hilton Garden Inn hotel and a retail marketplace.

The 6888 Kitchen, a food business incubator, is expected to open by the end of the year, and a grand opening for the hotel and marketplace could happen in late fall of 2024.

Several office and firstfloor tenant construction projects are underway on the southern sections of the complex.

Water Street District Delco Residential LLC has applied for tax credits for Water Street District Phase II, according to state records.

Developers Crawford Hoying and Woodard Development have thoroughly transformed the northeast section of downtown Dayton near and around the Dayton Dragons baseball stadium with major investments in roughly the last eight years.

Since 2015, the firms have created more than 700 new apartments, two new hotels (the Fairfield Inn & Suites and the AC Hotel) and new office and commercial spaces, and they helped bring new bars, breweries, restaurants and other amenities to the area.

The development team is working to rehab the massive former Mendelsons Liquidation

Outlet at 340 E. First St., which sits on about 7 acres of land.

The companies plan to turn the 515,000-square-foot building into about 160 market-rate apartments, 77,000 square feet of commercial office space, 20,000 square feet of first-floor space and 482 parking spaces.

An application seeking credits submitted by Crawford Hoying leaders in the previous funding rounds says labor and construction costs have outpaced “value growth,” which has created economic feasibility issues.

Renovating a building with the history and age of the Mendelson’s property comes with additional costs, which in theory can be offset by higher rental rates, but those might not be realistic in this market, the application states.

Crawford Hoying said the total anticipated cost of renovating The Delco exceeds \$98 million.

But the company said the eligible remaining anticipated costs are about \$43 million.

A spokesperson for Crawford Hoying said the Water Street District and the surrounding area in downtown Dayton have lacked investment and development through much of the last half of the 20th century.

Few people called this area of Dayton home until recently, and residents outside of the downtown area largely avoided it for a variety of reasons, including lack of housing options, safety concerns and no real sense of community, the spokesperson said.

“The development of Water Street District has been slowly turning the narrative around,” the spokesperson said. “This project will be a catalyst for real urban renewal on a much larger scale.”