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1. EXECUTIVE SUMMARY

The GO Cincinnati “Growth and Opportunities” Project focused on the goal of increasing City of Cincinnati tax revenues through targeted economic development strategies. To conduct the Project, the City of Cincinnati and Cincinnati USA Regional Chamber engaged a team of national advisors in economic development and real estate to work with a Steering Committee of Cincinnati business and community leaders.

The GO Cincinnati Team engaged in extensive research and thoughtful discussions for more than a year. It concluded that, in light of significant and alarming trends impacting the City’s revenue, the City must act immediately to focus on different economic development strategies that will generate a greater financial return than those currently employed. Of primary concern is the City’s net loss of nearly 8,000 jobs over a previous five-year period and the continuing erosion of market share for new office, industrial and residential projects.

To address these negative impacts, the Team identified significant, achievable opportunities for the City of Cincinnati to increase its revenues. The City however must act immediately to focus investment in specific geographic areas identified as having the greatest potential for new business development, new jobs, and new housing. This type of focus is known as “place-based development.”

GO Cincinnati identified the potential for the City of Cincinnati, through new development in the targeted areas within five years, to:

Capture a net revenue increase of more than $146 million,
Support nearly 5,000 new jobs, and,
Capture a greater share of nearly 45,000 regional jobs projected to be created through 2014 in key business sectors.

To achieve the full potential of the estimated revenue and job growth, the Team identified six areas in the City – three current and three new - as “growth opportunity areas.” The Team recommended continued investment be made by the City in the three existing opportunity places and developed strategies for business and housing growth in the three new areas. The Team further recommended that the City must reconfigure its current economic development delivery system to concentrate development expertise and financial resources in both the existing and new opportunity areas.

The GO Cincinnati Team recommendations are summarized here and described in detail in this Report. Technical research documentation and supporting resources are bound in a separate document titled Appendix due to the large volume of pages.
Place-Based Development Recommendations

1. Focus economic development initiatives and investment in the three existing economic opportunity areas identified as Downtown, Uptown and Over-The-Rhine and add three new areas of Seymour/Reading Road Corridor, Queensgate/South Mill Creek Corridor and Madison Road Corridor.

   **Madison Road Corridor** - This area could be a complex employment/retail/high density housing concentration that will allow the City to offer products not currently available; specifically, it will provide “drivable sub-urban” office product, generally not available in the City, mixed with walkable urban places.

   **Seymour/Reading Roads Corridor** - This area should be redeveloped to combine low-density drivable sub-urban business sites near the Seymour/I-75 interchange with redevelopment of select obsolete commercial space on Reading Road into a high density retail/attached housing walkable urban place.

   **Queensgate/South Mill Creek** - This corridor should be redeveloped as a “green industrial” park in drivable sub-urban configuration and should encourage the redevelopment of Lower Price Hill. Cincinnati is home to a number of the nation’s leading companies on the forefront of the coming green economy (GE, Duke Energy, among others).

2. To support development potential in the place-based strategies and capture a greater share of projected new job creation in the region, the City should target business attraction, retention, and workforce development initiatives to stimulate growth in the following nine business and industry sectors:

   Life Sciences, Chemical Manufacturing, Professional/Technical Services
   Aerospace, Management of Companies, Advanced Manufacturing
   Insurance & Banking, Hospitals, Educational Services

3. Focus residential development on attracting Young Professionals, Entry-level Professionals and Empty Nesters/Never Nesters:

   - Establish top-of-market positioning for new housing by improving infrastructure, expanding retail and restaurants, expanding clean and safe programs, improving public spaces and investing in urban transit.
   - Continue to convert obsolete vacant office space into residential units.
Economic Development Delivery System Recommendations

4. Expand private-sector investment through an expanded Catalytic Development Corporation structure that will concentrate development expertise and financial resources in the six target economic opportunity areas.

5. Create a Development Authority to consolidate and enhance public development functions and improve economic positioning for new investment.

6. Create a formal Business Retention and Expansion Program to conduct a comprehensive and intensive outreach campaign to address barriers to businesses in the City in the nine target business and industry sectors.

7. Create an Opportunity Advisory Council to regularly review city processes and regulations that could discourage private investment and to provide ongoing input about changing regulatory barriers to growth.

8. Create an ongoing Marketing and Communications Program for Cincinnati’s citizen stakeholders to inform and encourage understanding and appreciation for the tremendous efforts to improve the City, and to promote Cincinnati’s urban core as alive, vibrant and open for business and residents.

Workforce Development Recommendations

9. Create a collaborative partnership among public and private funders, providers and businesses to align workforce development resources, goals and strategies to support GO Cincinnati, and charge a single existing entity, or call for the creation of a new one, with the central responsibility and accountability for achieving the agreed-upon goals and strategies.

10. Address both the supply and demand functions of the workforce development pipeline to support GO Cincinnati strategies with a focus on sustaining the current worker readiness training to improve the skill sets of the unemployed and underemployed, expanding training for focused skill development to support the updated industry growth sectors, and creating worker recruitment initiatives to attract talent required for specialized occupations and/or targeted retention/training programs to develop it locally.

Transportation and Infrastructure Recommendations

11. Aggressively pursue establishing a streetcar system, the first phase of which would link Downtown to Uptown, the City’s two leading job generation areas.
12. Develop a full interchange on I-71 to provide direct access to Uptown which is the leading job creation area of the City of Cincinnati.

13. Future transportation and infrastructure initiatives should be made not only at the City level but also in the context of a regional system in consideration of these guiding principles:
   - Leverage transportation resources to create and reinforce walkable, transit oriented, mixed-use neighborhoods.
   - Create an integrated multi-modal transportation system for people and goods.
   - Maximize the use of “green” high-performance infrastructure.

14. These recommended improvements and guiding principles should be assigned to an implementation body that has an official role for the City, such as the proposed Development Authority.
2. INTRODUCTION

City leaders wanted to understand the trends influencing why the City is losing ground with revenue generation. How can the City reposition itself to encourage new development, both business and housing, and create more jobs while concurrently increasing the incomes of current residents? What approach would position the City best to capitalize on existing location assets, keeping in mind the City’s limited financial resources?

To begin to answer these questions, the City engaged the Cincinnati USA Regional Chamber to help it study the factors contributing to the City’s current economic condition and determine a new direction for greater economic prosperity. Together they launched the GO Cincinnati (Growth and Opportunity Cincinnati) Project in January 2007.

In assembling the Project Team, co-chaired by Cincinnati Councilmember Chris Bortz and Cincinnati USA Regional Chamber President/CEO Ellen van der Horst, the City and Chamber wanted to leverage the global expertise of top advisors in urban policy and development with the practical experience of nationally-ranked economic development advisors. Profiles on each company comprising the Consulting Team can be found at the end of this Report.

- The Brookings Institution (Washington DC) Urban revitalization, place-based development
- KMK Consulting (Cincinnati OH) Economic development strategic planning, local market knowledge
- RCLCO (Bethesda MD) Real estate market analysis/fiscal impact modeling
- Social Compact (Washington DC) Demographics research/assessment

The City and Chamber created a Steering Committee to guide the project and additionally created four Committee work groups to focus on key areas of critical importance to the implementation of the GO Cincinnati strategy: Workforce Development, Transportation, Neighborhood Economic Activity Centers and Jobs. These work groups took the initiative to engage additional leaders from community, government, business and academia to help evaluate the study’s findings and develop recommendations specific to their focus area.

The GO Cincinnati Project has the goal of increasing City of Cincinnati tax revenues through targeted economic development initiatives and specifically through place-based development, which is explained in detail in this Report.

Because the City’s major funding source is earnings tax, job creation and new residents are the primary drivers of revenue growth. Expanded development in its office, industrial and residential sectors will ultimately lead to increased City revenues. At its most basic, the City needs more people making more money.
3. METHODOLOGY

Based on extensive experience in major markets across the country, the Consulting Team advised that the project should focus not on generally expanding employment but on identifying the most realistic opportunities for economic growth through focused, “place-based” development. This strategy focuses public and private investment in specific geographic areas and on specific industry clusters that can serve as economic drivers for the entire City and region.

Broad-based economic development strategies without a place-based focus are not considered as effective because such broad-based initiatives often fail to take account of specific market, economic and geographic factors that significantly affect development.

The Team’s approach was to determine:

- the probable future economic drivers of the City economy
- the fiscal impact of these drivers
- where there are currently sufficient “places” for these economic drivers to locate
- specific “on the ground” place-based implementation strategies
- a structure for a new economic development entity(ies) to guide these place-based strategies

Organization

Together, the City, Chamber and Consulting Team created a Steering Committee to guide the project and created four focus groups to concentrate expertise on these core areas: Workforce Development, Transportation, Neighborhood Economic Activity Centers and Jobs. These focus groups helped shape this Report by providing their insights and local knowledge to the Team.

Action Plan

The Team was directed to assure that the City’s prior investment in existing studies would be utilized and ensure that there would be numerous opportunities for business and community leaders to be involved in shaping future plans. The Team then launched the GO Cincinnati Project based on the following action plan:

- Review the previously conducted economic development and related studies on Cincinnati and its various neighborhoods
o Conduct a current market analysis of office, industrial, and housing trends
o Gain a more accurate understanding of the City’s population and consumer buying power to attract new development
o Determine which businesses serve the regional economy, or “export” businesses, for current and future growth
o Identify the most optimal places to focus investment for economic growth
o Develop individual strategies for the recommended growth-driver places
o Create an economic development delivery system to facilitate the new strategy of focused place-based development
o Craft goals for the new system and metrics to assess performance toward goals

During the course of the project, the GO Cincinnati Team hosted community forums to explain the project and seek neighborhood input on potential places for economic growth in the context of its regional development focus rather than the more typical neighborhood-centric community development perspective.

Community leaders were initially consulted to discuss the factors which led to the selection of their communities as potential areas to serve as economic drivers for the City. (Discussion on which communities were selected and why is presented later in this Report.) These community leaders also were invited to participate in a strategic planning session for the new Growth Opportunity areas.
4. ECONOMIC CONDITIONS ANALYSIS

Summary

After examining and analyzing the business and residential markets in Cincinnati, the Team concluded the City is losing office, industrial and residential development opportunities to the metropolitan area; this is due to a number of factors, primarily a lack of marketable sites. The Team identified there is significant opportunity for the City to capture a greater share of new investment in business and housing through targeted development strategies in specific geographic areas that have the most market potential.

To position these “growth opportunity places” to generate revenue for the benefit of the entire City, the City must:

- Focus economic development initiatives and investment in the existing economic opportunity areas identified as Downtown, Uptown and Over-The-Rhine and add new areas of Seymour/Reading Road Corridor, Queensgate/South Mill Creek Corridor and Madison Road Corridor.

- To support development potential in the place-based strategies and capture a greater share of projected new job creation in the region, the City should target business attraction, retention, and workforce development initiatives to stimulate growth in nine specific business and industry sectors.

Current Economic Conditions and Trends

The Team, led by its partner economist from the Brookings Institution working with regional economists from the University of Cincinnati, Northern Kentucky University, and Duke Energy, identified two key conceptual foundations for the project:

- **The City of Cincinnati market must be considered in context of the regional market economy.**

  The 15-County Cincinnati Metropolitan Statistical Area (MSA) closely tracks the national economy in that there is a broad diversity of industries and lack of over-dependence on manufacturing, yet Cincinnati is not growing as fast as the nation.

  Factors contributing to this stagnation include the rate of out-migration, defined as population moving to adjacent counties or out of the region entirely, and the lack of a large foreign-born population, which has been identified as a key growth driver in prosperous regions.
The foreign-born population comprises 11.1% of the national population while in the Cincinnati MSA is only 2.6%. Only one other MSA in the nation has a lower percent of this population. This is a trend of significant concern as many of the Fortune 500 corporations are multi-national and eager to attract and retain a diverse workforce.

- “Neighborhood serving” or “region serving” jobs (the selling of goods and services within narrow geographic areas) do not generate new wealth; they merely recycle dollars already in the local economy.

The City must focus on “export serving” jobs - the selling of goods and services outside the region – to inject new dollars into its economy, a segment where the City is not currently performing well. The City’s base of service producing jobs (like retail) are growing while goods-producing jobs (like manufacturing) are declining, which mirrors the national economy.

A 2006 study by the University of Cincinnati’s Economics Center included demographic and economic profiles of the City of Cincinnati that revealed a number of alarming trends as well as key dynamics impacting the City’s revenue outlook, including:

- **65% of the City’s workforce lived outside the City** as of the 2000 US Census. As residential centers are emerging in the suburbs, the jobs are following the workforce. This is already evident in the change from the 1990 Census when 62 percent of the City’s workforce lived outside the City.

- **The City’s population is about 14% of the Metro’s population, down from 20% in 1990.** This is of particular concern because the region as a whole did not grow in proportion (except for a few small pockets at the northern reaches of the region). Bottom line: there are significantly fewer people contributing to the City’s tax base, and the region’s potential workforce is shrinking.

- **Downtown accounted for 34% of all jobs in the City in 2005 and has the highest average annual wage, followed by Uptown at 20% of the City’s employment.** With more than 50% of the City’s jobs, it is clear that Cincinnati’s economic growth strategy should continue to focus on these two areas.

- The top 150 employers in the City (ranked by amount collected on employee withholdings) accounted for more than $140 million of the total $240 million collected in 2005. **Five of them are large government operations** - City, County, Cincinnati Public Schools, University of Cincinnati, EPA and the VA Medical Center - that are very important to the City’s economic future.

In the Team’s study of office/industrial/housing market trends affecting the City’s current economic condition, and specifically its ability to retain and attract higher-wage jobs, it identified that Cincinnati is losing ground in all key areas of economic prosperity:
• The City is losing office market share to the balance of the metro region due to demand for lower density buildings and surface parking, which is the primary product being developed in the suburbs due to lower land costs, availability of easily developable land, and proximity to growing residential centers.

• The City is losing industrial market share to the Metro region and other localities due to “new generation industry” demand for newer facilities with characteristics historically found in Class-A office space such as attractive workspaces and upgraded employee amenities.

• The City is losing residential market share due to aggressive development of housing projects in perimeter areas, particularly the river cities in Northern Kentucky.

Assessment of Opportunities for Growth

Three “downward” trends were assessed by the Team as opportunities for future growth potential:

- Business/Employment
- Residential
- Population/Buying Power

1. Business/Employment Opportunities

The first goal of the project was to identify the probable future economic drivers of the City’s economy. The most realistic opportunities for growth use a strategy that targets “place-based” development – focusing investments in areas that can deliver maximum economic gain for all of the population. This process entails:

- Identifying the requirements of companies in industry growth sectors that have been identified in previous studies as most viable for the Cincinnati market;

- Matching the industry sectors to geographic places in the City that most closely meet the requirements to attract and grow businesses in those sectors; and,

- Targeting the City’s investment in those places to position them to become regional export driven growth drivers.
To accomplish this, a number of industry clusters and related studies that had been conducted for the Cincinnati market were analyzed. In addition, many resources were studied to identify employment trends in the region, specifically what business sectors are adding and losing jobs.

The next focus was to identify which of the industry sectors provide high-wage versus low-wage jobs. The Team agreed that although certain sectors are losing jobs, if there are desirable high-wage jobs within those sectors, there may still be opportunity to identify and correct the factors contributing to the losses.

The next analysis was to determine, from the business sectors with the most potential for growth and those which generate medium to high-wage jobs, which types of the high-paying jobs are export serving, regional serving or a combination of both. This data set will position the City to concentrate its investments in infrastructure and other improvements toward attracting and growing the types of businesses that not only are most likely to locate here and grow but also will provide the highest paying jobs that bring new money into the economy.

Based on each industry sector’s ranking in the categories of current and future growth potential, creation of medium-to-high wage jobs, and concentration of export-serving jobs, the Team designated nine business and industry sectors having the most growth potential for the City:

**CINCINNATI’S NINE GROWTH OPPORTUNITY BUSINESS/INDUSTRY SECTORS:**

**Tier 1 Primary Emerging Growth**
Life Sciences, Chemical Manufacturing, Professional/Technical Services

**Tier 2 Secondary Emerging Growth**
Aerospace, Management of Companies, Advanced Manufacturing

**Tier 3 Base Growth**
Insurance & Banking, Hospitals, Educational Services

The Team then identified the location-specific requirements of each of the targeted region-serving growth sectors according to drivable sub-urban and walkable urban development criteria. The City was assessed to identify developable areas that are optimally positioned to meet the needs of the target business and industry sectors to capture greater market share of new projects and jobs.
By identifying a core group of growth opportunity areas having the greatest opportunity to generate higher-paying jobs, the City will be able to leverage its investment in the short-term to stimulate the success of these areas which will in turn spur future private investment in adjacent communities. After the economic conditions in the initial growth opportunity areas have improved to support new job creation, the City will be able to move to another group of opportunity places to stimulate the next round of development.

CITY OF CINCINNATI GROWTH OPPORTUNITY AREAS:

<table>
<thead>
<tr>
<th>Existing</th>
<th>New</th>
</tr>
</thead>
<tbody>
<tr>
<td>Downtown</td>
<td>Seymour/Reading Road Corridor</td>
</tr>
<tr>
<td>Over The Rhine</td>
<td>Queensgate/Mill Creek South Corridor</td>
</tr>
<tr>
<td>Uptown</td>
<td>Madison Road Corridor</td>
</tr>
</tbody>
</table>

2. Residential Opportunities

With a goal to attract higher-income residents to the City as an additional strategy to expand the revenue base through both employment and home ownership, the Team studied the trends in the local, regional and national residential markets. What market drivers motivate people to choose to live at a specific address? What does the City have to offer today’s higher-income residents and those on a trajectory to become future high-income earners to attract them to reside in Cincinnati?

The identified core characteristics for the demographic classes driving urban housing growth and what attributes the City could offer to attract them are:

- **Young Professionals** - YPs seek an authentic urban experience in hip, edgy districts
- **Entry-level Professionals** - Seek value in the proximity to employment cores/amenities
- **Empty Nesters/Never Nesters** - Seek luxury upscale units close to culture and events

3. Population/Buying Power Opportunities

GO Cincinnati project partner Social Compact\(^1\) conducted an analysis intended to gain a more accurate understanding of the City’s population and consumer buying power relative to its ability to attract new development. Social Compact conducted its assessment in partnership with Cincinnati real estate consulting firm Property Advisors.

\(^1\) A profile of Social Compact is included in the Exhibits.
Social Compact used a multilayered research process known as the DrillDown which focuses on business indicators—buying power, market size, unmet needs, and market risks—rather than on the deficiency statistics typically used to describe urban markets, such as rates of poverty, crime and overcrowding. The DrillDown provides profiles of the market potential of high-density, lower-income communities that have not been accounted for in the past.

Social Compact studied the demographic makeup of the city and compared it to the 2006 Census estimates. The study revealed the following for the City of Cincinnati and the Central Business District:

- **22% Higher Population** - Population has increased to 378,259 people – an increase of **46,000**
- Aggregate Neighborhood Income (defined as total # of households multiplied by average household income) revealed **$2.2 Billion missed by traditional estimates.**
- **9% Higher Median Household Income**
- **31% Higher Aggregate City Household Income**
- **$2.1 Billion increased spending power annually**
- **7% Decrease in both Property and Violent Crime** per one thousand people (2002 to 2006) in the City
5. REAL ESTATE MARKET ANALYSIS

Summary

The Team’s analysis of the City’s real estate market revealed that the City does not have appropriate office, industrial or residential products available to fulfill certain growth-harnessing development opportunities. There are a number of concerns as well as opportunities specific to each segment of the real estate market:

Office Market

- Businesses are increasingly locating in areas outside Cincinnati’s Central Business District (CBD)
- Large corporations who are owner-occupants of space and those who have a reason to be located around government activity, including law firms and administration support services, are more likely to remain in the CBD.
- Growth segments for office space are those that offer modern amenities, ample amounts of surface parking competitive lease rates and proximity to swaths of executive housing. Cincinnati can compete for this market share by providing these types of structures in the city limits.
- Cincinnati should consider converting vacant office space into residential units.
- The Madison Road New Growth Opportunity Area has strong market potential to provide the space, amenities, and access to transportation that is in-demand in the office market.

Industrial Market

- Cincinnati enjoys a relatively stable industrial market and remains competitive with suburban locations.
- With additional development-ready available sites, Cincinnati could post even greater market shares while competing for more types of industrial users.
- Market demand for industrial space seeks access to transportation resources, layout, loading docks and other functional elements and are usually lower in value than other space; prestigious addresses hold little value for industrial real estate.
Future growth in the industrial market will likely be in “green” development, which attracts businesses with prerogatives to minimize their overall environmental impact, including the impact of real estate assets.

Cincinnati can capitalize on this opportunity by developing a “green” industrial/technological Park in the Mill Creek Area, leveraging the areas industrial history, strategic location and access to transportation.

**Residential Market**

Cincinnati is losing share in the premier residential market to suburban locations and is losing ground to Northern Kentucky in the luxury high-rise multifamily market. This is despite the fact that Cincinnati has a historical competitive advantage in its distinctive walkable urban places that other surrounding areas lack.

Cincinnati can establish top-of-market positioning by improving infrastructure, expanding retail and restaurants, expanding clean and safe programs, improving public spaces and investing in urban transit.

**Cincinnati Real Estate Market Overview**

National market trends, reflected in the Cincinnati Metropolitan market, highlight the structural development trend toward walkable urbanism. This is in contrast to the prevalent development paradigm of the last 50 years—drivable sub-urban development. The City of Cincinnati exhibits more established and emerging walkable urban places than anywhere else in the region, and this is a major competitive advantage for the future.

But while walkable urban development gives the City a competitive advantage, the real estate market analysis demonstrated that the City does not have sufficient drivable sub-urban office and industrial product within its municipal boundaries, keeping it from competing for the major driver of growth for commercial development. By not offering this drivable sub-urban real estate product, the City is not benefiting from certain kinds of growth taking place in the region.

Based upon the Economic Analysis summarized in the previous section, the Team conducted a detailed real estate market analysis to determine the total quantity of development that might be supported in each of the three new growth opportunity areas. The following is a summary of the chart below of the estimated supportable development that might be anticipated in the New Growth Opportunity Areas over the next five years.
These five-year estimates are forward-looking in nature, meaning that they incorporate historical data but are geared primarily towards a market-supportable future scenario that assumes a potential growth trajectory for Cincinnati. These broad estimates are inextricably linked to the strategic implementation concepts outlined within this document. Critically, these estimates do not take into account ancillary growth that may take place as a spin-off of the growth estimated below.

- In the Madison Road Corridor, this includes up to 160 for-sale townhomes, 630 multifamily for-sale residential units, 275 multifamily for-rent residential units, 450,000 NRA of office, 30,000 SF of Flex/R & D industrial, 115,000 GLA of local-serving retail, and 450,000 GLA of regional-serving retail.

- In the Seymour/Reading Road Corridor this includes up to 25 for-sale townhomes, 450 multifamily for-sale residential units, 200 multifamily for-rent residential units, 9,000 NRA of office, 780,000 GSF of freestanding industrial, 60,000 SF of Flex/R & D Industrial, 30,000 SF of local-serving retail, and 250,000 SF of regional-serving retail.

- In Queensgate/South Mill Creek this includes up to 9,000 NRA of office, 485,000 GSF of freestanding industrial, 30,000 SF of Flex/R & D Industrial, and 12,000 SF of local-serving retail.
The following is an overview of the office, industrial and residential market analysis both within the region and City and with respect to each New Growth Opportunity Area.

5.1 Real Estate Market Analysis - Office

Overview

The office market in the Cincinnati MSA has struggled to maintain healthy levels of occupancy over the past five to seven years, hovering between 18 and 23 percent vacancy rates for all office space in the region. Within this context:
• The City of Cincinnati has faced increasing competition for office demand from its suburban neighbors; as of 2006, Cincinnati captured 47.1% of the occupied regional office space, in comparison with 52.4% in 2000 and much higher percentages in decades past.

• The overall competitive advantage of Cincinnati’s Central Business District (CBD), comprised of the single largest concentration of Class A office space in the MSA, has eroded over time. Only a subset of its historical occupants have found compelling reasons to remain in the downtown. Many have preferred to relocate to newer buildings with modern configurations and ample surface parking located in the direction of executive housing along I-71 north toward the new developments in Butler and Warren Counties.

• Major owner-occupants of office space, such as Great American, Kroger, and Procter & Gamble, have, to this point, remained in the CBD, as have those users who have direct business reasons to be close to these major players in the Cincinnati economy. Also showing a tendency to remain downtown are entities that have a reason to be close to the locus of governmental activities, such as law firms and administrative support services.

In general, the CBD will likely continue to remain an important place for the location of corporate headquarters—typically owner-occupants—and entities with close ties to government, which may own, lease, or sub-lease space on an individual basis. These demand drivers alone, however, are unlikely to push occupancy levels of current available stock higher than 80%:

• For example, with approximately 2.2M square feet of vacant office space in the CBD as of the fourth quarter of 2006, it would require within one year the addition of three new corporate headquarters (consuming 500,000 square feet each) to the CBD just to backfill excess capacity and drive demand for new office space from supported and related industries.

• There is also doubt within much of the brokerage community that the existing supply of vacant space, due to its age and lack of modern facilities and amenities, meets the needs of new Class A tenants. With respect to new office space demand, the depth of the Class A multi-tenant market has not been able to push lease rates above $23 per square foot, far below the threshold where lease rates could potentially justify new construction. Instead, this segment has migrated to Class B space or left the City of Cincinnati when rents have crept upwards.

• Demand for new headquarters office space could justify new office construction, especially if the new space is owner occupied. However, the depth of demand for headquarter tenants tends to be more of a “lightning strike”—it is hard to predict based upon historical trends, and thus is generally not a predictable driver of new office space demand. Nevertheless, continued efforts to attract corporate headquarters is a viable and meaningful strategy for the City.
**Growth Segments among Regional Office Tenants**

Office users who have chosen to leave the CBD—typically lease tenants in multi-tenant buildings—have done so for a variety of reasons, including:

- The development of office space that is closer in proximity to large concentrations of executive housing and closer to the company CEOs;

- Recognition of limited competitive advantage or business reason to locate within the CBD; lease rates for new office space with modern configurations and amenities in suburban locations are often on-par with lease rates for older Class A and Class B space in the CBD; and,

- The preference among lease occupants for the type of modern office spaces and configurations being offered in the new office buildings in the suburban office cores. These users, unlike owner-occupants, are less motivated by the opportunity to occupy trophy space in high-rise structures in the CBD, but together comprise the vast majority of the overall demand for office space in the Cincinnati region. These users also represent the vast majority of the growth industries identified in the economic development analysis in the previous section.

The growth segments among regional office tenants in 2007 have gravitated towards ample supply of drivable, suburban office products that meet their modern needs. These needs differ markedly from the demand of office tenants of 10 and 20 years ago, who were largely satisfied with the offerings available in Cincinnati's CBD.

The modern growth segment office tenant typically exhibits strong demand for larger-floorplate office buildings (around 30,000 square feet) with convenient parking in buildings that have excellent proximity to the Madison Road New Growth Opportunity Area. Meanwhile, the regional retail market is showing the strongest growth in larger format options, such as "lifestyle retail" and medium-box shopping environs, that have similar site-selection criteria to the office products described above.

- Because they have shown the capacity to best supply these modern configurations, areas beyond Cincinnati proper—notably Kenwood and West Chester—have emerged as destinations of choice for these development typologies. As an example, the City of Norwood has competed extremely well for this market share, largely because it has been able to deploy the type of spaces and configurations most in demand within the spectrum of growing regional office and retail drivers.
Market data and interviews with the brokerage community confirm that these structures offer the parking, access, proximity to housing, lease rates, and configurations that are high in demand in today’s market. In fact, over the past seven years these users were responsible for almost all of the growth in occupied office space in the Cincinnati region.

Meanwhile, the CBD recorded a net loss of almost one million square feet, primarily due to numerous users in growth industries vacating older office space in the CBD and consuming new, modern office structures in drivable sub-urban configurations in the nearby Cincinnati suburbs, such as Norwood, Blue Ash, Kenwood, and West Chester. These CBD spaces are currently vacant and in general not suited to modern needs.

There is some reason to believe that the bleeding of office space from the CBD has peaked and slowed; whether it has altogether stopped is yet to be seen. But it is clear that the growth drivers in the Cincinnati economy identified above have demonstrated an almost unanimous preference for the drivable sub-urban office products offered outside the City of Cincinnati proper and in many cases merely across a jurisdictional boundary.

Without these types of structures within its borders and located in comparable locations, Cincinnati has been and may continue to be unable to capture demand for office space on a going-forward basis. However, Cincinnati may be able to compete for this market share by providing these types of structures within its City limits.

Transforming Vacant Office Space to Residential Space

Market evidence from the region and the nation suggests that the City of Cincinnati may need to address the possibility that what once was considered a short-term increase in CBD office vacancy rates may in fact be indicative of chronically higher vacancy rates than is generally considered healthy for an office market.

- Cincinnati is not alone in facing higher CBD office vacancy rates than it is accustomed to seeing, and its response to this challenge may determine the future health of the City’s office market in general.

- It is speculated that much of the existing building stock that currently sits vacant or is no longer being actively marketed is approaching functional obsolescence from a marketing standpoint, meaning that it no longer competes favorably for modern office demand for a variety of structural, locational, physical, or other reasons.

- However, at least a portion of this space may be suitable for conversion to non-office uses, most notably multifamily residential (when building configurations permit).
The short-term impact of transforming vacant office space into occupied residential units—an option that has been met with some success already in Cincinnati—could mean a significant increase in the number of households in and around the CBD.

Based upon current housing consumption in the CBD and Over-The-Rhine, these households would be comprised largely of urban young professionals (both singles and couples) who value an authentic urban experience, place a premium on the ability to walk or bike to work, appreciate a variety of urban resources and amenities (such as bars, restaurants, fine arts, cultural events), and for whom multifamily living is appealing.

In the medium-term, employers who value proximity to a labor pool of young, upwardly-mobile, well-educated professionals may find a competitive advantage in a CBD location that is heavily-populated with this increasingly-competitive and desirable labor force.

The removal of vacant sub-par office buildings from the CBD building stock would minimize the capacity for companies to pursue this urban option at a discount. A more likely scenario is that limiting supply this may have the effect of limiting supply and increasing demand, pushing lease rates up to the point where new multi-tenant (speculative) office construction becomes market-feasible.

Experience from other cities, such as Minneapolis, Milwaukee, Dallas, Providence, Philadelphia, and Washington, D.C., suggest that residential development can be supportive of the long-term health of the office market, especially as it creates a locus for today’s in-demand information-age labor pool that companies find attractive and may even follow. Some social scientists, such as Richard Florida, have gone so far as to suggest that the strategy of creating great urban places may in fact be a necessary precursor to creating vibrant urban economies in the 21st century.

While the GO Cincinnati Project cannot go so far as to verify these claims for Cincinnati, it does suggest that there may be value in a public discussion regarding a potential policy objective surrounding the conversion of underutilized office space into non-office uses, ideally residential and residential-supporting -uses.

**Recommendations for the Cincinnati Office Market**

**NOT RECOMMENDED**

Do nothing: Without any changes to its current strategy, the City of Cincinnati will continue to remain outside of the opportunity zone in terms of capturing demand from growth industries seeking modern configurations in drivable sub-urban office buildings.
It will remain an important location for corporate headquarters, but will be limited by the extent to which it can suit their site-selection criteria—which is increasingly national, if not global, in scope—and will potentially struggle with the ability to deliver the type of space desired by these large office users at a competitive cost structure.

**RECOMMENDED — SHORT TERM**

*Actively compete for modern office demand:* The City of Cincinnati has been unable to compete for growth sector office demand in part because it does not have the type of building stock within its borders to compete for this demand. Meanwhile, nearby areas such as Blue Ash and Norwood have been able to capture this demand by providing this type of building stock readily.

By moving aggressively to provide land and development support for this type of building stock within the City of Cincinnati, the City should be able to capture a portion of this market demand within its borders. This action may have a ripple effect on the CBD, which may be able to recapture some lost market share among target businesses that have supply chain relationships with growth industries that would potentially locate in new office space within the City limits.

**RECOMMENDED — LONG TERM**

*Enhance the competitiveness of the CBD while pursuing modern office demand outside the CBD:* While pursuing modern office tenants by providing suitable office space, the City of Cincinnati may embark on a major re-thinking of the competitive advantage of the CBD and recalibrate its strategic position. Such a recalibration would certainly involve work that is beyond the scope of this study, such as a critical examination of the City’s taxation scheme and a frank discussion regarding the future viability of largely vacant Class B and Class C space for conversion to other uses, such as residential.

The implications of such conversion are profound for the health of the City of Cincinnati and regional office market, and, while beyond the scope of this study, they merit significant attention should vacancy and lease rates for all classes show little movement through the first half of 2008.

**Recommendation for Cincinnati’s New Growth Opportunity Areas**

Reclaiming market share of the regional office market will involve the provision of modern office structures that are high in demand amongst growth industry office users. In other words, the City of Cincinnati has to provide the type of spaces that today’s office demand wants if it is to capture any of that demand.

There are a variety of site selection factors that play into where these products may be situated. Based upon analysis of office demand in the region, as well as market drivers for potential demand, **the most appropriate location for modern office**
construction is in proximity to the Madison Road New Growth Opportunity Areas located within the City of Cincinnati.

- Because the Madison Road New Growth Opportunity Area has excellent proximity to I-71, as well as to the CBD and large swaths of excellent demographics, it has a strong market opportunity to capture growth segments in office and supporting retail demand.

- Market trends suggest that the general vicinity of the Growth Opportunity Area provides a set of site selection criteria that are favorable for drivable, sub-urban office development and some supporting modern-format retail. Its proximity to the University of Cincinnati and Xavier University environs put it within the crosshairs of one of the most promising office demand drivers in the City, if not the entire region, while its adjacency to Norwood, potential supply of land along its Madisonville edges, and short travel time to large swaths of executive housing present compelling office development scenarios that mesh very well with regional demand for office space.

- In fact, this New Growth Opportunity Area may represent the best opportunity the City of Cincinnati has in capturing growth segments in office demand within its municipal boundaries in the short- and medium-term.
5.2 Real Estate Market Analysis - Industrial

Overview

Industrial land markets are unlike many other types of real estate markets:

- These types of tenants tend to choose their space and site location based on purely functional criteria: access to transportation resources, layout, the number of loading docks, ceiling clearances, floor loads, etc.

Freestanding industrial land users require access to excellent transportation infrastructure, including road, rail, and water transport, both to receive supplies and distribute goods. Roads built to handle heavily-loaded trucks and that are capable of accommodating wide turning trucks are almost universally required. Moreover, these sites must be accessible 24 hours per day in order to access customers and receive shipments from suppliers. Good transportation helps ensure reliable supply, reduce time to market, and thus reduce costs and maintain competitive businesses.

These users may also require special utility infrastructure, such as a minimum of six-inch water lines and 440-volt power.

Parcel and building size is also critical. A majority of freestanding industrial or Flex/R&D uses require parcels large enough to accommodate truck staging and maneuvering, employee parking, and materials storage. Large and open building floorplates are critical for shipping and warehousing functions, which are essential components even to non-warehousing or distributing entities.

- Variables that drive other real estate decisions, such as image or a prestigious address, hold little value for industrial projects.

- Unlike office rents, which can vary wildly based on the type, location and quality of buildings, industrial rents tend to fall into a narrower range.

- Finally, no matter how high-value the location, industrial rents and land values tend to significantly lag behind other types of real estate on a per square foot basis, meaning that industrial development must be developed at lower cost, and on lower-cost land, than other types of uses.
The market for Flex/R&D functions slightly differently from the market for freestanding industrial space. It is less dependent on the availability of large, cohesive land aggregations in industrial park configurations, and more dependent on the availability of smaller parcels of land or existing buildings suitable for retrofit that can accommodate smaller occupants with unique fit-out needs (i.e., life sciences research, product testing, color and fragrance labs, etc.)

Flex/R&D space location requirements tend to be more driven by factors such as access to local markets (especially for Flex tenants that have a quasi-retail focus) and proximity to larger sources of research and funding (especially for higher-technology, light industrial, and manufacturing). Urban areas have tended to compete very well for these new industrial tenants, as these urban markets offer access to large population concentrations and key drivers of economic growth, such as universities and/or government facilities.

In the case of the City of Cincinnati, access to the key driver of new economy jobs—primarily the University of Cincinnati—makes a City location attractive, or at the very least highly competitive with suburban locations.

Cincinnati’s Industrial Real Estate Market

Overall, the Cincinnati region currently enjoys a relatively stable industrial market. This is due in part to its economic diversification, which has insulated it from the automotive sector malaise that has plagued peer cities in the Midwest, as well as a variety of other factors related to its role in the transportation and logistics commodity chain:

- Within a relatively stable regional market, the City of Cincinnati’s industrial market has been resilient, with current vacancy rates below 6%; but it has not been growing at pace with the region.

- The vacancy rates of industrial space in the City have gone up in recent years, and the result has been an actual decline in the amount of occupied industrial space in the City. Fortunately, there has been little new construction to accompany the growth in vacancy rates.

- Despite the still-low vacancy rates for industrial space, the City has generally achieved average lease rates below the most preferred locations in the region—specifically suburban locations to the northwest and northeast.
Specifically with respect to the general industrial market:

1. **Cincinnati struggles to compete for demand for new freestanding industrial space**, which is by far the largest component of the regional and city industrial market. While vacancy rates for this type of space in the City have remained strong, little new space has been added to the inventory within the City over the past five years (approximately 360,000 square feet), while significant new inventory (over 2.5M square feet) has been added in suburban locations. The competitive weakness of the City’s freestanding industrial market is that the existing stock is older, and many do not meet the needs of new tenants seeking newer, more efficient, modern space. This could lead to continued negative absorption, stagnating rents, and chronic vacancies, as new development would be necessary to effectively compete in the regional, freestanding industrial market.

2. **The City has had much more success competing for a strong regional share of Flex/R&D space** (sometimes called “office warehouse”). While this type of industrial space represents only a portion of the overall market and a fraction of the growth, it is a fairly stable market driver that may under a variety of plausible scenarios—such as the Advanced Design Concept—become much more pronounced on a going-forward basis.

3. **The City has maintained its regional share of bulk warehouse space**, which represents the majority of growth in the regional market in terms of total occupied square feet. However, although the City keeps pace in this category, bulk warehouse space is currently a small part of the City’s overall industrial base and will very likely continue to be so; this type of space generally prefers to be located in highly accessible and less congested areas that offer cheap land that can accommodate enormous footprints for flat-line operations in excess of 1M square feet per structure.

Specifically with respect to the market for Flex/R&D (Office Warehouse) space:

1. **Cincinnati has been growing its market share and is well-positioned to continue to do so.** Similarly to constraints on the market as a whole, land availability is the primary barrier to increased development. This becomes more important in light of the potential for demand for this type of space to increase in the near future.

   Not only do life sciences—an identified growth industry—demand this type of space, but they would prefer to be located in proximity to the agglomerations of universities and hospitals proximate to Cincinnati’s uptown. Moreover, there is the potential for even greater demand as the University of Cincinnati moves forward with its Advanced Design Concept.

   In fact, data and market evidence suggests that, if not for the lack of available sites, that Cincinnati might post even greater market share gains in freestanding and Flex/R&D space regionally:
Anecdotal evidence from the local market supports the data—there are numerous examples within the City of Cincinnati of
users for whom lack of available sites have hampered expansion efforts or forced them to look beyond the City limits in order
to accommodate their site selection needs.

In other cases, entities seeking freestanding or Flex/R&D space cannot find suitable parcels at all and are forced to begin
their search outside the City. Were the City able to offer suitable sites for new establishments or expansion of existing
establishments, it is conceivable that it could recapture users that have migrated out of the City or capture an even greater
market share than it currently does. The difficulty in locating a site large enough to accommodate the NAIOSH facility is a
case in point of a situation where a productive Flex/R&D industrial use has had difficulty locating within the City because of
lack of space. Providing a solution to issues such as this would undoubtedly involve tackling the variegated issues of
brownfield remediation, land assembly, infrastructure provision, and the acquisition of derelict sites at land values suitable for
horizontal development to the pad site level.

2. Given the potential for growth among users of Flex/R&D space within the regional economy, along with the strong market
performance of this land use within Cincinnati, there is reason to believe that demand for this type of space may actually increase in
the short- and medium-term.

**Green Industrial Development**

The type of industrial development that may be market feasible within the Growth Opportunity Area differs drastically from the
“smokestack industries” of last century. The economy of tomorrow will largely be built on the capacity to produce and create in a
manner that is consistent with an evolving understanding of the natural environment.

Global leaders in industry—such as Steelcase, Herman Miller, and the Ford Motor Company—have pioneered industrial production
that is environmentally sensitive and highly profitable. In one case, Ford Motor Company has developed a green industrial facility
that is so intriguing and aesthetically pleasing that it actually charges admission for tour groups.

Hence a “green industrial park” bears little or no resemblance to the industrial facilities of the old economy:

- Aesthetics and environmental awareness are the primary design considerations in these facilities, and the U.S. Green Building
  Council’s LEED certification process has created a standard platform for ensuring that these facilities meet a standard of
  excellence that is consistently superior to standard construction.
They are, by design, devoid of toxins, pollutants, mutagens, and other noxious elements, and also visually and ecologically appealing places to be. These uses can be very attractive to surrounding residential communities because they often provide ample quantities of green space and parks as part of their land planning.

Fortunately, the advent of green building technology and corporate mandates to build to green building standards in new plants and facilities provide a nexus between competing interests and a potential opportunity to create long-lasting competitive advantage in the regional—and perhaps national—market for industrial market share. Examples of green industrial facilities in the growth industries identified in the economic development analysis are becoming more and more common because of a combination of regulation, corporate environmental philosophies, and recognition of the long-term asset value performance of green structures.

Across the nation, this trend has spurred the creation of “green industrial parks”—facilities that are designed to attract, capture, and retain businesses that seek or require “green” facilities. These innovative developments are extremely new, and establish a competitive advantage for industrial locations because they:

1) Provide the type of locations, infrastructure, energy, land, and other site selection criteria that are inherently “green”

2) Become the default first call for any entity that is seeking to go “green” in their selection, expansion, or retention.

CURRENT U.S. GREEN INDUSTRIAL PARKS

<table>
<thead>
<tr>
<th>Green Industrial Park Name</th>
<th>Location</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cashton Greens Business Park</td>
<td>Cashton, WI</td>
</tr>
<tr>
<td>Menomonie Valley</td>
<td>Milwaukee, WI</td>
</tr>
<tr>
<td>Londonderry Eco Park</td>
<td>Londonderry, NH</td>
</tr>
<tr>
<td>Brownsville Eco-Industrial Park</td>
<td>Brownsville, TX</td>
</tr>
<tr>
<td>Burnside Eco-Industrial Park</td>
<td>Nova Scotia (Canada)</td>
</tr>
<tr>
<td>Civano Industrial Eco Park</td>
<td>Tucson, AZ</td>
</tr>
<tr>
<td>East Bay Eco-Industrial Park</td>
<td>San Francisco, CA</td>
</tr>
<tr>
<td>Fairfield Ecological Industrial Park</td>
<td>Baltimore, MD</td>
</tr>
<tr>
<td>Franklin County Eco-Industrial Park</td>
<td>Youngsville, NC</td>
</tr>
<tr>
<td>The Green Institute</td>
<td>Minneapolis, MN</td>
</tr>
<tr>
<td>Plattsburgh Eco-Industrial Park</td>
<td>New York State</td>
</tr>
<tr>
<td>Port of Cape Charles Sustainable Technologies Industrial Park</td>
<td>Eastville, Virginia</td>
</tr>
</tbody>
</table>
As Cincinnati’s industrial growth segments seek freestanding industrial space for expansion or for new entities, it is likely that they will seek out or construct space that is considered “green,” either as certified by the U.S. Green Building Council or by other standards. But although it plays host to a number of cutting edge growth industries identified above that may find an eco-industrial park appealing, Cincinnati does not currently have a green industrial park for the incipient needs of these companies. Cincinnati can continue to cement its competitive advantage in the region—and in fact reposition itself atop the region—with the development of a green industrial park. This park would be attractive to seekers of freestanding industrial space, for it would have the competitive advantages that Cincinnati currently enjoys, be free of space-availability constraints, and have the added benefit of being “green.”

Recommendations for the Cincinnati Industrial Market

**NOT RECOMMENDED**

*Do nothing:* With no change to existing strategy, the City of Cincinnati may continue to remain somewhat competitive in the short term. Lack of available sites and competition from outside areas with ample land for expansion will erode the City’s competitive advantage over the medium-term.

**RECOMMENDED**

*Intervention to increase land availability:* With interventions to create land suitable for industrial development, the City of Cincinnati may be able to expand its market share appreciably. This will certainly involve measures to assemble and redevelop land suitable for industrial location.

Creating a green industrial park within the Mill Creek area would perhaps cement the City’s medium- and long-term competitiveness, especially as area growth sectors will undoubtedly seek this type of space in the near future. Providing land
and buildings suitable for Flex/R&D users will be critical in ensuring that the City of Cincinnati can compete for demand for this space within the regional marketplace.

**Intervention and additional zoning strategies:** By combining the creation of land areas suitable for industrial development along with aggressive zoning strategies to preserve and expand industrial space within the City, Cincinnati can ensure that its long-term industrial competitiveness can be responsive to changing market demands.
Recommendation for Cincinnati’s New Growth Opportunity Areas

The GO Cincinnati Team evaluated the entirety of the City to identify areas that may be suitable for the variety of industrial development scenarios outlined above. There are few areas within the City that are suitable for the creation of a green industrial park. Such a site would need to be:

- Located within an area of existing industrial concentration
- Buffered from existing residential neighborhoods
- Have an ample quantity of existing underutilized industrial land suitable for acquisition and redevelopment.

Within the City of Cincinnati, the Seymour/Reading Road (North Mill Creek) New Growth Opportunity Areas represent the most appropriate opportunity areas for this type of development.

Seymour/Reading Road (North Mill Creek) Corridors

The Seymour/Reading Road Corridors of North Mill Creek represent perhaps the only geography within the City of Cincinnati with significant potential for the development of modern industrial development.

- Much like areas to the north and southeast of the City, which have commanded the bulk of market share of new industrial development in recent years, it exhibits land use characteristics and site selection criteria appealing to high-technology production-oriented industries, and it appears that tracts suitable for development may be recycled into the economic landscape.

- The recent success of smaller developments, such as those developed by TechSolve, indicate that there is indeed a market response for modern industrial development within the vicinity of this New Growth Opportunity Area.

Given that Cincinnati is home to market leaders in product design and testing, automotive and energy production, and aerospace industries—all growth opportunity targets that will have a significant market motivation to innovate in ways that are “green”—there is a unique market opportunity to develop a “green” industrial/technology park in this area:

- The existing land use patterns suggest the feasibility of developing market-responsive and competitive modern industrial facilities.

- Moreover, these existing land use patterns within this New Growth Opportunity Area lend themselves to some potential for large-scale development of clean and modern production facilities (of the type that exemplify the best standards in “green” development), and the market ramifications of such a development within the New Growth Opportunity Area to the City and the region cannot be overstated.
With the majority of flat-line industrial growth business sectors moving well beyond the City limits (chasing supply of modern sites) and a cadre of industry leaders motivated to develop “green” platforms, delivering this type of land into the real estate economy within the City limits presents the opportunity to create a hub of “green production” of primacy in the region and perhaps the nation—a unique market opportunity that could catalyze development in throughout the City.

Notably, the first-mover advantage associated with this market opportunity is directly related not only to the region’s existing strengths in manufacturing, but also to the *types* of manufacturing in which it has strengths:

- Energy production (Duke Energy), automotive production (Toyota), aerospace (General Electric), product design (Procter & Gamble), and life sciences (variety of players) all have a marked interest in developing “green” production platforms. These platforms will represent the growth segments in their respective industries in the new economy.

- Moreover, the desire to innovate in this direction is already driving the need for new “green industrial” sites in other cities nationwide. The Seymour/Reading Road Corridor has the opportunity to be the first—and most important—in the region.

**Queensgate/South Mill Creek**

Queensgate/South Mill Creek’s greatest perceived weakness is also its greatest potential asset—the presence of industrial zoning, brownfields, and underutilized industrial property. These properties, if put back into the economic cycle, present an opportunity for the City of Cincinnati both to capture regional demand for Flex/R&D space and to position itself as a global leader in “green development” via the rehabilitation of these spaces for users in the economy who would prefer boutique R&D Flex space.

Not only does this area present the type of site selection criteria and competitive advantage necessary for the market success of such a venture, but the prevalence of older, under-utilized sites, as well as the City’s recent efforts to acquire and bank these sites for redevelopment, presents the opportunity to take advantage of large swaths of this land and reposition them in a cohesive manner. The existing building stock is well-suited for creative and adaptive reuse—specifically the types of use that typify the market segments above—and the spin-off economic ramifications to the City of establishing a beachhead in the global green movement are potentially profound.

Given Cincinnati’s market leaders in product design and testing and life sciences—all industries that show a proclivity for boutique R&D space often found by reclaiming older industrial buildings—there is a unique market opportunity to catalyze the rehabilitation of the buildings in South Mill Creek/Queensgate for these users. These buildings, if rehabilitated, could be done so in a “green” manner. The recycling of South Mill Creek into the hub of “green” production in the region, and perhaps the nation, is indeed a unique market opportunity that could catalyze development in this aging industrial stock area.
5.3 Real Estate Market Analysis - Residential

Overview

Historically, Cincinnati neighborhoods, such as Hyde Park, were considered the premiere residential locations in the region. While the Hyde Parks of Cincinnati remain competitive in the residential market of the region, these neighborhoods are no longer commanding top of the market premiums.

In recent decades, new high-end housing began to be built in the suburbs due to land availability, the poor reputation of Cincinnati public schools, and an increased perception of crime and racial tension in the City. Deerfield, West Chester, Blue Ash, and Kenwood now command average home prices at the top end of the MSA for-sale housing market.

Executive housing enclaves do remain along the Madison Road Corridor New Growth Opportunity Area, most notably in Indian Hill. And while some Cincinnati neighborhoods, such as Mt. Adams and Mt. Lookout, have achieved some traction with regard to existing and new construction home sales, many view these neighborhoods as "attainable" options for younger professionals and pre-families instead of luxury destinations of choice within the region.

Not only has Cincinnati been losing ground on the single-family for-sale housing market, but the City is also facing strong competition from Northern Kentucky in the luxury high-rise multifamily market. Downtown Cincinnati has made significant strides—especially through the strong efforts of DCI and 3CDC in Over the Rhine—and the beginnings of a downtown residential market are no longer incipient but have materialized.

However, the market suggests that the City of Cincinnati must continue to improve:

- **Downtown Cincinnati** is achieving a value ratio of $220 per square foot for high-rise luxury condominiums, while Northern Kentucky is realizing an average of $392 per square foot. For-sale multifamily construction in favorable neighborhoods, such as Mt. Adams, has been sluggish to move at prices that justify construction and opportunity cost, limiting these markets to price ranges that support wood-frame construction.

- **Northern Kentucky** has been able to achieve prices that justify high-rise for-sale multifamily construction partly due to the presence of a high-profile building by a top designer (The Ascent at Roebling), but also due to Covington and Newport's ability to position themselves as desirable empty-nester locations and to draw pent-up demand from the entire region. The active street life in Newport and Covington, as evidenced by the appeal of Steiner's Newport on the Levee project and the
entrance of local restaurateur Jean Robert to Covington, have solidified Northern Kentucky as a very strong contender to downtown Cincinnati as the urban residential nucleus of the region, especially for higher-value homes.

- Meanwhile, persistent negative perceptions about the quality of the urban residential experience in Cincinnati—specifically with regard to perceptions of safety and attitudes towards diversity—have certainly not helped it establish primacy in the region’s marketplace for for-sale multifamily development.

The for-rent luxury apartment market in Cincinnati is beginning to pick up steam in the uptown neighborhood. Stetson Square in uptown Cincinnati is achieving the highest rents in the region at approximately $1.45 per square foot. The new apartment community is targeting their luxury apartments at graduate students and University of Cincinnati faculty.

However, the remainder of the luxury for-rent market remains at around $0.90 per square foot, which is not financially feasible from a developer standpoint (without some government incentives, such as free or heavily subsidized land). The relatively low prices in the for-sale housing market are effectively placing a ceiling on achievable rental rates. In order to push rents, for-sale prices will have to increase.

**Cincinnati’s Residential Opportunity**

Ultimately, Cincinnati possesses a competitive advantage in the real estate marketplace that most of its competing environs in its region lack: walkable urban places. The success of the Cincinnati region’s multifamily and high-density housing market can largely be linked to proximity to high-quality walkable environs, providing a variety of activities, amenities, services, and recreational options within a radius of one-quarter to one-half mile:

- Mt. Adams and Hyde Park are proximate to at least two walkable environs, the popularity of Over the Rhine is related to the resurgence of its walkable areas, Covington benefits from the same dynamic, and downtown Cincinnati is beginning to see the residential market follow the renewed investment in its urban amenities, such as restaurants and retail.

- Virtually every market in the United States is under-served with respect to walkable urban places. Cincinnati is no different, and investment in these places can yield dividends in terms of renewed strength in the residential markets that surround walkable centers of daily living.

- Because Cincinnati has the infrastructure for walkable places built into its architecture and planning in so many places, its ability to capture pent-up demand for residential products in proximity to these places will depend largely on the extent to
which it can rapidly revive its walkable environs with targeted investments in streetfront retail, parks and open space, restaurants, and notably, transit.

New residential products in Cincinnati will have to focus on multifamily products due to the low availability of land. Two distinct market segments exist: young professionals and empty nesters:

**Young Professionals** - The most logical product types for young professionals are luxury rental buildings located in close proximity to bars, retail, restaurants, and employment cores. With the correct mix of these urban amenities, rents can begin to be pushed upwards. As young professionals are more price sensitive than other market segments, it is unwise to rely on them as a major source for luxury for-sale condominiums. 3CDC, the economic development corporation in Cincinnati, is fulfilling market supply of affordably priced rehabilitated condominiums in Over the Rhine.

**Empty nesters** have been and are expected to continue being the primary driver of luxury for-sale condominiums in the Cincinnati region. While the urban entertainment environment is important to this market segment, they have shown willingness to go to traditionally suburban locations that are providing walkable urbanity.

- Cincinnati can become the top-of-market for for-sale and for-rent multifamily product types.
- The City needs to play on the strength of existing neighborhoods and re-establish them as the residential destinations of choice in the region.
- Achieving residential density will drive retail and office development. Once the urban pioneers are in place (typically, young professionals in rental buildings), retailers will be drawn to an “untapped” market. The presence of retail and residents will then draw office users back to the City as a way to attract and retain new talent.
- Finally, residential development has a positive fiscal impact on City budgets. Not only does the City collect property tax on the new units, but it is also entitled to a share of the employees’ wage taxes.
Recommendations for the Cincinnati Industrial Market

NOT RECOMMENDED

Do nothing: Continue to rely on existing, established neighborhoods to retain and attract residents to the City. This scenario involves continuing to abdicate the luxury, for-sale condominium market to Northern Kentucky. Cincinnati will continue to capture 7% of the MSA demand for residential housing annually, which results in roughly 500 multifamily units per year citywide.

RECOMMENDED

Increase visibility of Cincinnati as a desirable residential destination: Begin to compete with Northern Kentucky for share of the luxury multifamily market. This is projected to result in an increase in Cincinnati’s capture to 12% of the MSA demand, which results in roughly 850 multifamily units per year citywide.

Actively attract new residential development while creating amenities for residents: Attract retail and entertainment development to the City that is unique to the MSA (urban green spaces along the river, vibrant streets on evenings and weekends, etc.) By providing urban amenities that appear unique and safe, Cincinnati can increase its capture of MSA demand to roughly 1,200 multifamily units per year. This would include initiatives such as the Madison Road Corridor New Growth Opportunity Area.

Recommendation for Opportunity Areas

Cincinnati has the opportunity to establish top-of-market positioning with respect to urban residential development by:

- Investing in the necessary infrastructure—such as retail, restaurants, parks and open space, and transit—to expand upon and grow additional walkable environments;
- Expanding on the recent additions of restaurants and retail in the CBD, Mt. Adams, and Riverside Drive.
- Expanding existing clean and safe programs (currently managed by organizations such as DCI) to include activities such as retail tenant recruitment, site selection assistance, and de facto urban management services;
- Continuing to improve and dedicate public spaces, which has already begun at Fountain Square and could be continued through the creation of green space along the riverfront; and
- Targeted investment in urban transit.
6. PLACE-BASED DEVELOPMENT STRATEGIES

Summary

The primary goal of place-based development strategy is to increase the City’s tax base while increasing the housing, retail and employment options for its citizens. It is also important that the strategy insure that the bordering neighborhoods do not feel there might be unnecessary and unwanted intrusions and that there is ample means of involvement in decision-making.

Drivable sub-urban development is a low density place that involves only cars and trucks for the vast majority of transportation needs. Buses, transit and walking are not overly practical. Drivable sub-urban places involve far more acreage, from hundreds to thousands of acres for commercial and industrial uses.

Walkable urban development is a higher density place that involves multiple transportation systems to get to and get around (cars, trucks, buses, rail transit, etc.) but at its base it is walkable. Being walkable implies that most everyday needs can be achieved by walking. Walking distance is between 1500 and 3000 feet until another mode of transportation is required, so the size of a walkable urban place is between 150 and 300 acres and involves commercial office and retail, civic and residential.

Each geographic area in the City was considered for its assessment as a location that is conducive to “drivable sub-urban” development or “walkable urban” development, or a combination of both. The results:

Existing “Place-Based” Initiatives

There are currently three place-based development efforts underway in Cincinnati that are managed by catalytic development corporations. The recommendation to create three new organizations to oversee the new growth areas are based on the success of these existing organizations. These three efforts have yielded tremendous benefits and there is every indication that they will yield significant future economic development, community building and pride of place benefits in the future. The groups are:

- Downtown (2-prong revitalization focus with 3CDC conducting capital-based development and Downtown Cincinnati Inc conducting clean/safe/beautification)
- Over-the-Rhine (3CDC)
- Uptown (Uptown Consortium)
Recommendation To Expand Opportunity In Existing Growth Areas

- It is strongly recommended that the street car line be completed between Downtown, Uptown and Over-The-Rhine in the first phase of its construction. There is probably no infrastructure investment that will have more long-term tax generation and economic development benefit to the City than this street car line.

- It is strongly recommended that a full interchange be developed on I-71 to provide direct access to Uptown. Uptown is the leading job creation area of all 52 neighborhoods in the City of Cincinnati.²

Recommendations for New Growth Opportunity Areas

When considering the real estate and employment analysis discussed previously in this report and examining the city’s geographic areas for the market requirements that are needed for successful development, three new areas were selected as the best targets for development:

Madison Road Corridor

- Located between the Central Business District as well as the adjacent proposed lifestyle center and stretching along Madison Road east to Madisonville.

- This area could be a complex employment/retail/high density housing concentration that will allow the City to offer the region products and places not now available.

- It will provide “drivable sub-urban” office product, generally not available in the City, mixed with walkable urban places (one around the proposed lifestyle center and the other the redeveloped Madisonville) which will anchor the corridor its two ends/gateways.

- The market data indicates support for the office, retail and high density housing development if it is well managed and offers the complexity and walkability that great places require.

² City of Cincinnati Revenue & Expenditure Forecast, UC Economics Center, June 2006
Seymour/Reading Roads Corridor

- Located east of I-75 along Seymour, down Paddock and Reading Roads and over to the Cincinnati Gardens.

- Building upon the superior existing road infrastructure, large land parcels available for redevelopment, and the success of both TechSolve in developing R&D and light industrial space and the Community Action Agency in providing social services, this corridor can evolve into a significant economic generator.

- The area is close enough to Uptown to support economic spin-offs from Uptown, the City’s primary new job creator. Yet Uptown cannot offer drivable sub-urban R&D and light industrial space that many high tech spin-offs require.

- This strategy combines low density drivable sub-urban business sites near the Seymour/I-75 interchange with redevelopment of select obsolete commercial space on Reading Road into a high density retail/attached housing walkable urban place.

Queensgate/Mill Creek South Corridor

- Located along Mill Creek from the I-75 & I-74 junction south to the Ohio River in Queensgate, this has long been the industrial heart of the region.

- Having become a generally obsolete industrial corridor, it is recommended that this place be redeveloped as a “green industrial” park in drivable sub-urban configuration and encouraging the redevelopment of Lower Price Hill. Cincinnati is home to a number of the nation’s leading companies on the forefront of the coming green economy (GE, Duke Energy, among others).

- Companies that are developing products that minimize the environmental impact of the manufacture and use of their products are demanding plant locations that share similar goals.

- The goal of the green industrial park is to develop only LEED certified buildings, have zero-emissions eventually and the environmental restoration of Mill Creek as proof that industry and nature can co-locate.
6.1 **Strategic Plan for the Madison Road Corridor**

The strategy for the Madison Road Corridor calls for the significant expansion of the economic, social and community role this area plays in the City and the region. Generally defined as the corridor along Madison Road from the Center of Cincinnati shopping center at I-71 to the east of Madisonville, the area will combine what is referred to as "walkable urban” development and “drivable sub-urban” development within the corridor. Specific boundaries need to be set as a part of this strategy implementation.

**Walkable urban development** is a higher density place that involves multiple transportation system to get to and get around (cars, trucks, buses, rail transit, etc.) but at its base it is walkable. Being walkable implies that most everyday needs can be gotten by walking. Walking distance is between 1500 and 3000 feet until another mode of transportation is required, so the size of a walkable urban place is between 150 and 300 acres and involves commercial office and retail, civic and residential.

There are two potential walkable urban places in the Madison Road Corridor; the “lifestyle center” that will be discussed in detail later in this section, as well as the area around it and Madisonville’s core.

**Drivable sub-urban development** is a low density place that involves only cars and trucks for the vast majority of transportation needs. Buses, transit and walking are not overly practical. Drivable sub-urban places involve far more acreage, from hundreds to thousands of acres for commercial and industrial uses.

The primary goal of the strategy is to increase the City’s tax base while increasing the housing, retail and employment options for its citizens. It is also important that the strategy insure that the bordering neighborhoods do not feel there might be unnecessary and unwanted intrusions and that there is ample means of involvement in decision-making.

The following outlines the strategy for the Madison Road Corridor and the implementation of the strategy.

**Character and Values of the Place**

There are two types of character that will be combined within the Corridor, walkable urban and drivable sub-urban:

- The proposed Millworks “lifestyle center”, adjacent to the Center of Cincinnati, would become a mixed-use residential, office and retail walkable urban development that could spread to property around the center as a dense urban fabric is developed.
Another walkable urban place would focus on the redevelopment of the center of Madisonville, which has the historic buildings and street grid required for this kind of character. The historic character of Madisonville in particular needs to be understood and capitalized upon.

These two walkable urban places would be physically defined on the ground and will act as anchors for the corridor. In between these two anchors would be drivable sub-urban office development, providing easy access to I-71.

**Implementation Steps:**

- Define the Madison Road Corridor, including its walkable urban and drivable sub-urban components, to provide both focus to the development process and protection to the surrounding residential neighborhoods from unwanted intrusions. This includes a land plan defining the specific boundaries of the Corridor and broad uses within each area of the Corridor.

- Determine if there is a need for assemblage of land for drivable sub-urban office development or whether the private market can make this occur on its own, which is always preferable.

- Assist the developers of the Millworks in their plans and urge them to incorporate residential and/or office in their plans.

- Develop a redevelopment plan for Madisonville, using community, tenant and property owner input, the historic research and memory of residents, the market research completed for this strategy and professional planners, to envision the future growth of the place and the phasing of the redevelopment. Research the necessity of land assemblage to begin the redevelopment process.

- Demonstrate to the region as a whole that the City is attempting to regain its fair share of office and retail activity, reversing its decades of market share loss.

- Demonstrate to the neighborhoods surrounding the Corridor that the redevelopment of the place will benefit them from both a quality of life and home value perspectives.

- Determine one of more names for the Corridor and its component parts, hopefully making a connection to the memories and history of the place.
Implementation Organization

There needs to be a non-profit organization created or an existing non-profit would need to expand its mission (the preferred approach), such as 3CDC, to manage this redevelopment process and act as the “catalytic development organization” for Madisonville:

1. The major responsibility of this organization is to implement or make sure other organizations (public, non-profit or private) are implementing relevant parts of the strategy. In essence, this organization is the “keeper of the flame” of this strategy, even if it does not directly implement each part of it.

2. The second responsibility is to act as the planner and the initial redevelopment company for Madisonville, possibly assembling land/buildings, engaging in reconstruction/new construction, leasing or sales and management of both these assets and the place as a whole. This same role may need to be made regarding the assemblage of the drivable sub-urban land, if deemed that the private market will not fulfill this function. However, the mid-term goal is for the catalytic development role to be supplanted by the private real estate development industry.

Implementation:

- Create or assign an existing organization to be the overall “keeper of the flame” for this strategy.
- Empower this organization to also act as the catalytic developer for Madisonville and possibly the drivable sub-urban office park. Be the designated owner of abandoned buildings or vacant land in the Corridor that the City or other civic entities own.
- Funding will initially be through corporate or foundation contributions but within 3-4 years this effort must be financially self-sufficient from development fees, commissions, business improvement tax assessments, sale of land, etc.
- Develop and implement a marketing program to communicate to the region the plans and changing nature of the Corridor.

Housing

Promote the development market-rate attached rental and for-sale housing (townhouses and condominiums) in and around the two walkable urban places in the Corridor (Millworks and Madisonville). While an affordable housing is not seen as an issue to be addressed early in the redevelopment process, it will eventually have to be a part of the strategy, particularly as the strategy is shown to be successful.
Implementation:

- Plan the areas around and within the two walkable urban places (Millworks and Madisonville) that are most appropriate for higher density housing.
- Encourage the City to develop infrastructure that is compatible with this kind of walkable development.
- It is assumed that the private sector will implement this strategy.
- Determine mechanisms that might be part of an affordable housing strategy.

Employment

Encourage and promote the location of “export” employment\(^3\) and “regional-serving” employment\(^4\), such as research and development, corporate and regional headquarters, financial institutions, professional services, utility, metropolitan government entities, etc., in the Corridor. This could be either in the walkable urban or the drivable sub-urban types of development.

Implementation:

- Establish the Corridor as a business “place” in the region through promotion, signage, directional aides, etc.
- Coordinate with economic development agencies for regional and national recruitment efforts.

Retail

Encourage the development of retailing and restaurants that brings shoppers from throughout the metropolitan area. There will probably be two types of positioning of the retailing and restaurants; the first will be national retailers at the Millworks lifestyle center and the second will be local and regionally based retailers of more unique character in Madisonville. In addition, plan for as much local-serving retail as is possible to support the surrounding neighborhoods and the new attached housing and office space.

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\(^3\) Employment that “exports” goods and services from the metropolitan area to other metropolitan areas (either domestic or international) providing new cash for the metropolitan area. These export jobs are the reason for the metropolitan area’s existence and provide its essential character.

\(^4\) Employment that serves the needs of regional businesses and residences though it locates in a concentrated manner. Examples are lawyers, regional and county governments, bakeries, etc.
Implementation:

- Coordinate with the developer of the Millworks on a retail strategy that complements and expands the market for the lifestyle center and redeveloping Madisonville.

**Hard Infrastructure**

The major hard infrastructure issues revolve around transportation, both getting to the Corridor and getting around inside the Corridor. The highway infrastructure is generally superior, though always in need of improvement, and is the reason the strategy is focused on the Corridor in the first place.

However, there needs to be immediate attention paid to alternative transportation to car and truck transportation within the corridor. This should include bus, rail transit, biking and walking. Given the importance of these alternatives to the development of walkable urbanism, which anchors the Corridor on two ends, planning and lobbying for City and State improvements is crucial.

In the early years of this strategy, most visitors and residents of the Corridor will get there and move around by car. There needs to be careful consideration and sharing of parking, particularly for the two walkable urban places, to maximize the usage of this valuable asset.

Implementation:

- Coordinate with the regional transportation/transit studies underway.

- Focus efforts on planning and lobbying for City and State improvements.

- Conduct a transit/transportation study to understand how the two walkable urban places and possibly Xavier University can be connected.

- The non-profit organization needs to study the parking needs of Madisonville and may have to become active in the development and management of these parking assets.
Soft Infrastructure

Develop a plan for security and cleanliness for Madisonville. Coordinate and encourage local neighborhoods regarding the improvement of local schools. Coordinate the redevelopment and expansion efforts of Xavier University, even though it is outside of the Corridor. Craft overlay zoning for the area around the Millworks and Madisonville that encourages walkable urban development, making this kind of development easier to achieve. The community groups surrounding the two walkable urban places need to be informed and involved with the planning of these places.

Implementation:

- Consider a business improvement district for Madisonville that can fund the “clean and safe” program.
- Coordinate with local neighborhood groups who are improving the local primary schools to the extent possible.
- Meet with Xavier University leadership to discuss their interest in integrating closer with the Madison Road Corridor.
- Develop an overlay zone for downtown Madisonville and the area around the lifestyle center that encourages walkable urbanism.
- Have neighborhood representation on the board of any implementation organizations, such as the Madisonville BID.
- Start a web site and newsletter to inform the surrounding community of the planning process and implementation for the entire Corridor.
6.2 **Strategic Plan for the Seymour/Reading Road Corridor**

The strategy for the Seymour/Reading Road Corridor creates a regional-serving place that combines “drivable sub-urban” and "walkable urban" development. The definition of the Corridor is generally east of I-75 along Seymour, down Paddock and Reading Roads and over to the Cincinnati Gardens. It builds off the work of existing non-profit regional non-profits which have been redeveloping the Corridor for the past decade and have the track record and intention to implement this strategy.

*Drivable sub-urban development* is a low density place that involves only cars and trucks for the vast majority of transportation needs. Buses, transit and walking are not overly practical.

*Walkable urbanism* is higher density development that involves multiple transportation system to get to and get around (cars, trucks, buses, rail transit, etc.) but at its base it is walkable.

Also note that there is no regional-serving retail strategy as a part of this Seymour/Reading Road strategy. The market data suggests that “big-box” retailers would be attracted to this location. However, this kind of development would not benefit the surrounding community nor would it help increase City tax revenues significantly so it will be discouraged here.

The primary goal of the strategy is to increase the City’s tax base while increasing the housing, retail and employment options for its citizens. It is also important that the strategy insure that the bordering neighborhoods do not feel there might be unnecessary and unwanted intrusions and that there is ample means of involvement in decision-making.

The following outlines the strategy for the Reading/Seymour Road Corridor and the implementation of the strategy.

**Character and Values of the Place**

There are two types of character that will be combined within the Corridor, drivable sub-urban and walkable urban.

- The drivable sub-urban development will be the predominant form in the Corridor as a location for research and development, flex-industrial and back-office space, following the model established by Tech-Solve over the past decade.

- The walkable urban development will initially focus on the southeast corner of Reading and Seymour Roads, the location of Jordan Crossing.
**Implementation:**

- Master plan the Corridor including the walkable urban and drivable sub-urban areas.

- Determine the major land parcels that need to be folded into the plan and/or acquired, such as the Federal armory, children’s hospital, obsolete retail, Jordon Crossing, etc.

- Given the desire of the owners/managers of Jordon Crossing to participate in redevelopment, potentially as the focal point for walkable urban development, develop a detailed master plan for redevelopment.

- Develop a name for the Corridor.

**Implementation Organization**

There needs to be a non-profit organization created or an existing non-profit would need to expand its mission (the preferred approach), such as TechSolve, to manage this redevelopment process and act as the “catalytic development organization” for the Corridor. The City must agree to this new role for TechSolve and be a full partner in this undertaking by transferring surplus City land for redevelopment, encourage the state and other government agencies to transfer surplus land, giving preference in the permitting process and making infrastructure improvements.

**Implementation:**

- Gain approval from the TechSolve board to assume this increased responsibility and obtain City Council approval for TechSolve to be the catalytic developer, providing the agreed upon support to TechSolve that is needed.

- Develop a land acquisition strategy for all parcels essential to the strategy and have TechSolve and the City approach each level of government which has ownership of that land.

- Develop a government and foundation grant strategy between TechSolve and the City to approach funding sources together for various aspects of the strategy.

**Housing**

Promote the development of detached and attached market rate housing in the Corridor. In addition, develop an affordable housing strategy for eventual implementation.
Implementation:

- Continue the support and encouragement of the conversion of institutional and rundown low income housing into market rate for-sale housing.
- Include attached for-sale and rental housing above the retail in the redevelopment of the Jordan Crossing walkable urban development.
- Consider the various options for an affordable housing strategy (granny flats, inclusionary zoning, Habitat for Humanity, etc.)

Employment

Encourage the location of more export employment\(^5\) and regional-serving\(^6\) employment, such as manufacturing, research and development, corporate and regional headquarters, financial back office, utility, construction, newspaper and metropolitan government, etc.

Implementation:

- Assemble land for export-oriented and regional-serving drivable sub-urban R&D and light industrial users.
- Coordinate with Uptown for the location of R&D and light industrial for companies looking to expand from there.

Retail

Redevelop the obsolete retail centers along Reading Road, focusing primarily upon local-serving retail. While regional-serving "big box" retail has pent-up market demand, it was determined that this kind of development did not increase City taxes very much nor does the neighborhood want this kind of development.

\(^5\) Employment that "exports" goods and services from the metropolitan area to other metropolitan areas (either domestic or international) providing new cash for the metropolitan area. These export jobs are the reason for the metropolitan area's existence and provide its essential character.

\(^6\) Employment that serves the needs of regional businesses and residences though it locates in a concentrated manner. Examples are lawyers, regional and county governments, bakeries, etc.
Implementation:

- Assemble/identify land on the Reading Road Corridor for a local-serving retail development. It will probably be a drivable sub-urban product types though some of this retail could be integrated into the walkable urban redevelopment at Jordan Crossing.

- Using the recent Social Compact data, encourage national and regional retailers to service the pent up demand that exists for local-serving retail.

**Hard Infrastructure**

The primary transportation systems to the Corridor is outstanding, the reason the area was selected in the first place. However, there are selective transportation improvements that need to be accomplished and there needs to be a connection to the regional transit initiatives.

Implementation:

- Coordinate with the regional transportation/transit studies underway.

- Fund from the capital improvement programs streetscape improvements along Reading Road to the Norwood Lateral as one of the major gateways into the Corridor.

**Soft Infrastructure**

Develop a plan for security and cleanliness for the Corridor. Coordinate and encourage local neighborhoods regarding the improvement of local schools. Coordinate the redevelopment and expansion efforts of Xavier University, even though it is outside of the Corridor. Craft overlay zoning for the area around Jordan Crossing that encourages walkable urban development, making this kind of development easier to achieve. The community groups surrounding the Corridor need to be informed and involved with the planning of these places. Have a media and marketing outreach strategy.
Implementation:

- Develop a “clean and safe” program in conjunction with the City.
- Coordinate with local neighborhood groups who are improving the local primary schools to the extent possible, especially coordinating with the high school and the job training opportunities in the Corridor.
- Meet with Xavier University leadership to discuss their interest in integrating with the Corridor.
- Develop an overlay zone for Jordan Crossing that encourages walkable urbanism.
- The Bond Hill Community Council will develop an outreach strategy for community participation.
- Start a web site and newsletter to inform the surrounding community of the planning process and implementation for the entire Corridor.
- Develop a marketing plan to allow private companies, the public in general, opinion-makers, etc. about the strategy for the Corridor.
6.3 Strategic Plan for the Queensgate/Mill Creek Corridor

The strategy for the Queensgate/Mill Creek Corridor is for a regional-serving place that focuses primarily on the development of an eco-industrial park, a first for the Upper Midwest and the Cincinnati area. The Queensgate/Mill Creek needs better definition as to its boundaries but is generally defined as the river to the south and the I-75/I-74 interchange to the north. It is further defined generally as I-75 to the east and State and Beekman Roads to the west. This strategy coordinates with the bordering Lower Price Hill neighborhood.

The strategy will encourage “drivable sub-urban” development. Drivable sub-urban development is low density development that involves only cars and trucks for the vast majority of transportation needs, though industrial users also have freight rail options. Buses, transit and walking are not overly practical due to the low density.

Drivable sub-urban places involve significant acreage, from hundreds to thousands of acres for commercial and industrial uses. The Lower Price Hill neighborhood, however, is a “walkable urban” place which is experiencing the beginning of a revitalization, taking advantage of its historic fabric and commitment of its residents and merchants. Walkable urban development is much higher density than drivable sub-urban and includes a variety of different uses within a compact walkable area.

The primary goal of the strategy is to increase the City’s tax base while increasing the housing, retail and employment options for its citizens. It is also important that the strategy insure that the bordering neighborhoods do not feel there might be unnecessary and unwanted intrusions and that there is ample means of involvement in decision-making.

The following outlines the strategy for Queensgate/Mill Creek and the implementation of the strategy.

Character and Values of the Place

The main focus of the development will be an eco-industrial park; an industrial park where the tenants and owners are committed to reducing the ecological “footprint” of their production processes, minimize emissions (possibly have a goal of zero-emissions some day), improve the working conditions for employees while reconnecting with nature in the area. There have been a number of examples of eco-industrial parks in the country over the past decade, but this would be a first for the Upper Midwest and a successful model for the region and the country.

This approach also takes advantage of the major companies located in the region that are committed to environmentally sensitive production and may be occupants in the park. This commitment to eco-industrial development is not just a future looking economic
development strategy but a recognition that the history of industrial development has been mixed in Cincinnati providing wealth for the economy and jobs at significant health and environmental costs. The walkable urban redevelopment of Lower Price Hill is most effected by the eco-industrial development and the redeveloping Lower Price Hill could be a major amenity to the park.

**Implementation:**

- Define the boundaries of the Queensgate/Mill Creek South Corridor and the probable land that could become part of the eco-industrial park, both that land which may be assembled and that land which will probably stay in private hands, developing product that is consistent with this strategy.
- Determine the standards of the eco-industrial park regarding such issues as size, LEED certificate, emissions, design, connection to nature, etc.
- Visit the relevant eco-industrial parks operating in North America.
- Determine the connection between the predominately drivable sub-urban development of this strategy and the revitalization efforts taking place in Lower Price Hill and how each can assist the other.
- Integrate the work of the environmental groups looking to open up, increase assess and clean up Mill Creek.
- Study the connection to open space and trails, possibly converting rail right-of-ways to trails.

**Employment**

Encourage the location of more export employment\(^7\) and regional-serving\(^8\) employment, such as, manufacturing, research and development, utility, construction, newspaper and metropolitan government organizations.

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\(^7\) Employment that “exports” goods and services from the metropolitan area to other metropolitan areas (either domestic or international) providing new cash for the metropolitan area. These export jobs are the reason for the metropolitan area’s existence and provide its essential character.

\(^8\) Employment that serves the needs of regional businesses and residences but locates in a concentrated manner within downtown. Examples are lawyers, regional and county governments, bakeries, etc.
**Implementation:**

- Coordinate with the major industrial users in the region that have an environmental-orientation, such as GE, Duke Energy, etc, to understand their requirements and what elements need to be included in a green industrial park.

- Develop a national marketing strategy for promoting the park to the environmentally-oriented industrial community, media and regional opinion leaders.

**Implementation Organization**

Create a new non-profit organization or expand the mission of an existing non-profit organization (the preferred approach) to be the catalytic developer, focusing on land assemblage, site remediation and horizontal development. This organization will also be the “keeper of the flame” of the strategy.

**Implementation:**

- Determine whether a new or existing organization should be the catalytic developer. Determine initial funding requirements for the first 2-3 years, provided by the corporate and foundation community, and transition to self-sufficiency by the end of year three.

- Develop a land plan for the eco-industrial park, determining the required land that must be acquired, connections with nature, remediation, etc.

- The catalytic developer will be the recipient of surplus government and other land in the boundaries of the area for eventual inclusion in the eco-Industrial park.

- Work with existing property owners and institutions which might coordinate their development activities with the catalytic developer.

**Hard Infrastructure**

Examine the sewer, electrical, water and transportation capacity of the area. This is particularly important given the sewer facilities location adjacent to the probable location of the eco-industrial park.
Implementation:

- Determine the most appropriate means by which to provide water and sewer treatment that is biologically based so as to achieve zero-emissions.
- In joint venture with Duke Energy, provide the model for the region for renewable generation of electricity for the green industrial park.
- Coordinate with the regional transportation studies underway, particularly the rebuilding of I-75.

Soft Infrastructure

Revise the building codes to allow and encourage green standards as well as incentivize the cooperation of land owners in achieving the strategy. Ensure that there is sufficient neighborhood involvement to coordinate the Lower Price Hill redevelopment with the eco-industrial park and other issues of concern.

Implementation:

- Develop building regulations which codify the goals of zero-emissions and LEED certification for all building in the green industrial park.
- Ensure that there is rigorous adherence to established codes so that “green” industrial uses do not offend neighboring residential communities.
- Have neighborhood representation on the board of the catalytic developer.
- Start a web site and newsletter to inform the surrounding community of the planning process and implementation.
7. FISCAL IMPACT MODELING

Summary

The place-based strategies proposed have the potential to increase the General Fund of the City of Cincinnati by over $6 million annually after five years of development and a total of approximately $146 million over a twenty-year period. This estimate takes into account the fiscal (or budgetary) impact of only the real estate assets affiliated with the three proposed strategies and does not include impacts - positive or negative - associated with development elsewhere in the City or assets developed after the five-year horizon of the strategic framework.

<table>
<thead>
<tr>
<th>New Growth Opportunity Area</th>
<th>Gross Revenues</th>
<th>Expenditures</th>
<th>Net Fiscal Impact (General Fund)</th>
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</thead>
<tbody>
<tr>
<td>Seymour/Reading Road Corridors</td>
<td>$55,182,091</td>
<td>$14,496,395</td>
<td>$40,685,695</td>
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<tr>
<td>Queensgate/South Mill Creek</td>
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<td>Madison Road Corridor</td>
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<tr>
<td><strong>TOTAL</strong></td>
<td><strong>$146 MILLION</strong></td>
<td></td>
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</tbody>
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Revenues and Expenditures

In order to evaluate the relative impact on the Cincinnati tax base of the potential development trajectories in the three New Growth Opportunity Areas discussed in the Place Based Development Strategies section, the Team constructed a Fiscal Impact Model. This model was designed to compare revenues and expenditures associated with the potential new growth in each area, and it was geared towards measuring the net fiscal impact to Cincinnati’s General Fund of each of the three development trajectories.

The model evaluates the Net Present Value (NPV) of the revenue and expenditures over 20 years, assuming an annual escalation factor of 3%. Note that the revenue figures are based on only five years of development, whereas the model shows ongoing revenues and expenditures for 20 years of operation (no additional development was assumed to take place beyond year five).

It should be noted that in many instances, the Team found that the City lacked detailed information regarding the breakdown of its current budget and revenue/expenditure allocations. The Team made every effort to verify assumptions when necessary. Also, revenues and expenditures that were not allocated to the General Fund were not factored into this modeling, because these funds...
are specifically earmarked for specific purposes (i.e., schools, infrastructure, convention center, etc.) and do not contribute to growth of the General Fund.

The modeling was prepared in close collaboration with the City of Cincinnati, which provided details regarding the City’s revenue structure, including revenue from more than 20 sources. Revenues were compared against estimated expenditures for these uses, including line-item allocations for nearly 20 City departments/agencies.

**Charts depicting general City of Cincinnati budget information are included in the Fiscal Impact Modeling Technical Appendix of this Report.** The charts include information on the City’s General Fund revenue sources, allocation of income tax, General Fund expenditures by major and other departments, and building permit trends.

### Conclusion

Interestingly, when modeling the fiscal impact of the various land uses, the Team discovered that, within the City’s revenue and expenditure calculus, there is perhaps an undervalued asset: the residents. Because of the region’s generous and progressive wage tax sharing scheme, the City’s taxes are most benefited by a new job associated with a Cincinnati resident regardless of job location.

In other words, the tax revenue benefit associated with a new resident who works outside the City’s borders is roughly equal to, and in some cases higher than, the tax revenue associated with a new job inside the City filled by a worker who resides outside the City.

Moreover, the tax revenue benefit associated with a new resident who works outside the City’s borders is roughly equal to and in some cases higher than the tax revenue associated with a new job and that worker residing beyond the City’s borders. As compared with employment, occupied housing units have the potential to generate comparable and in some scenarios higher revenues that flow into the City’s General Fund than those generated by employment.

**The complete Fiscal Impact Modeling Analysis is included as a technical appendix of this Report and includes:**

- GO Cincinnati Development Scenarios – Timelines and Other Assumptions
- Fiscal Impact Model Assumptions
- Madison Road Corridor Development Scenarios
- Seymour/Reading Road Corridor Development Scenarios
- Queensgate/South Mill Creek Corridor Development Corridors
- Allocation of County Revenues and Expenditures for the City of Cincinnati
8. TRANSPORTATION/INFRASTRUCTURE IMPROVEMENT RECOMMENDATIONS

**Summary**

Prosperous places of choice in America are distinguished by many factors, one of which is a range of transportation options. At present, Cincinnati and the region’s “one size fits all” transportation systems undermine continued economic growth and the creation of livable communities. In addition, the inadequate public transportation system puts Cincinnati and the region at a very serious competitive disadvantage.

In the near term, consistent with the GO Cincinnati place-based strategies, the City’s investment in transportation and infrastructure should physically link its primary and secondary job generators in its Downtown and Uptown areas with each other, and also to the neighborhoods where workers live.

To guide future transportation and infrastructure planning to align with GO Cincinnati’s place-based strategies for economic growth, GO Cincinnati recommends these three principles:

- Leverage transportation resources to create and reinforce walkable, transit oriented, mixed-use neighborhoods.
- Create an integrated multi-modal transportation system for people and goods.
- Maximize the use of “green” high-performance infrastructure.

Finally, it is imperative that these recommended improvements and guiding principles be assigned to an implementation body that has an official role for the City, such as the proposed Development Authority.

**Overview of Trends**

In urban development, it is generally understood that “transportation drives development.” The kind of transportation system in which a metropolitan area invests will determine in turn the kind of development pattern that will follow it more than any other infrastructure investment or zoning regulations. In most American metropolitan areas, the nearly exclusive investment in freeways and major arterial streets over the past two generations has meant that only drivable sub-urban development has been possible for many decades.
Multi-modal transportation systems and infrastructure investment can create globally competitive cities and dynamic, growing neighborhoods. A trifecta of issues – global climate change, international competition for talented young people, and the price of gas – has dramatically changed decision-making priorities as cities compete globally for talent and investment. Leveraging its transportation and infrastructure investments to address these new global environmental and economic realities can give Cincinnati a competitive advantage as an attractive place of choice for residents and businesses.

The growing market demand for an alternative to drivable sub-urban development, which is walkable urban development, requires multiple transportation options: rail transit, buses, bicycles, and pedestrian pathways as well as moving cars and trucks. There is a strong positive relationship between rail transit and the existence of walkable urban places: 65 percent of walkable urban places are served by rail transit.9

The walkable urban development option may be the most viable one for the City of Cincinnati to pursue because there is less competition from surrounding counties in meeting this pent up market demand. The recent success of Downtown and Uptown redevelopment, which is based upon high density walkable urban development, showcases this opportunity.

Cities that move swiftly to reduce auto and energy dependence and to mitigate the impacts of global climate change will provide more competitive, as well as more livable, places. The most sought-after cohort of workers is well-educated people between the ages of 25-34. These potential new residents and employees prioritize the quality and livability of a place and seek dense, mixed-use, walkable, transit-oriented neighborhoods when making location decisions. And, as the price of gas continues to rise and baby boomers age, people will increasingly want to live closer to work, medical services, and entertainment venues.

Alignment with GO Cincinnati Place-Based Strategies

One of the most significant investments of public dollars by the City of Cincinnati is in its infrastructure. Strategic investment in transportation and infrastructure options will directly influence the success of place-based employment growth and workforce development initiatives. Future investment must be guided by a set of principles and policies that strengthen and reinforce Cincinnati’s competitive advantage, and position it to aggressively seize the opportunities created by a rapidly changing global environment and economy.

There are numerous factors that comprise Cincinnati’s competitive advantage. The two that are relevant for these recommendations are: (1) its rich network of existing transportation infrastructure, such as highways, freight rail, and barge terminals that provide

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9 In a recent Brookings Institution survey of walkable urban development and rail transit in the top 30 metropolitan areas, Cincinnati ranked 28th of 30 in per capita number of walkable urban places. The positive connection between walkable urban development and rail transit, while not definitively proven by the survey, was certain indicated by the survey. (http://www.brookings.edu/metro/walkable-urbanism.aspx)
access for goods and people, and support business and job creation; and, (2) its traditional compact, pedestrian-friendly, transit-oriented neighborhoods.

Consistent with the GO Cincinnati place-based strategies, two projects emerge for investment. The City’s investment in transportation and infrastructure should physically link its primary and secondary job generators in its Downtown and Uptown areas with each other, and also to the neighborhoods where workers live.

First, the City should aggressively pursue establishing a streetcar system, the first phase of which would link Downtown to Uptown, the City’s two leading job generation areas.

Downtown and Uptown would be the anchors for the system with Over-The-Rhine being a linear development in the middle. Further, this rail-based streetcar would be a “starter” rail transit system for the region and would demonstrate the viability of rail transit. This has been the approach taken by many other metropolitan areas that are further along the path of building rail transit, including Denver, Phoenix, Dallas and, most recently, Charlotte.

Second, the Martin Luther King interchange should be pursued to improve auto access to the Uptown jobs hub area.

Uptown will likely be the major new export job incubator for the region over the next generation, building upon the medical and other high tech research and development taking place there. Many of these well-educated workers get to Uptown today and for the foreseeable future by car from the northeast of the metropolitan area. The current lack of convenient I-71 on and off ramps impedes the growth of the important Uptown job hub.

Beyond these specific projects, the City’s transportation system should integrate light rail, commuter rail, streetcars, bus, bicycle, and pedestrian access with all its thoroughfare investments where appropriate. The city should emphasize this integration along the I-71 and I-75 Corridors and in the adjacent communities as it proceeds to implement the place-based recommendations of this report. This will have a direct beneficial impact on people who live and work in the Madison Road, Seymour/Reading Road and Queensgate/Mill Creek corridors.

It is imperative that these recommendations and the following principles be assigned to an implementation body that has an official role for the City, such as the proposed Development Authority. This implementation group should work swiftly to initiate policies that can be adopted in GO Cincinnati’s initial three economic corridors. In addition, the implementation body should work to develop longer-term urban plans and policies. A comprehensive plan will enable the City to efficiently and effectively streamline infrastructure and economic development projects to ensure our position as a globally competitive, livable community.
Creating and sustaining Cincinnati’s competitive advantage will require that the City use its transportation and infrastructure investments to provide residents, workers, businesses, and visitors with a multi-modal transportation system. Guidelines for future design and development of this system should reinforce a sense of urban place and integrate high-performance, green infrastructure.

GO Cincinnati acknowledges that future solutions will require much more in-depth analysis and planning than was possible within the scope of GO Cincinnati. However, it became clear that the City’s transportation and infrastructure investments must be aligned with the place-based strategies, build on current initiatives, and be guided by three overarching principles in order to capitalize on the job growth, workforce and place-based development strategies outlined in this Report. These principles are as follows:

1. **A comprehensive urban plan, including design, engineering, and construction of all thoroughfares, should be developed to create and reinforce walkable, transit-oriented, mixed-use neighborhoods.**

   In general, the City of Cincinnati should reinforce and strengthen its unique, traditional urban development patterns by emphasizing connectivity, accessibility, quality of design, and appropriate scale in future transportation plans. The plan should aim to increase property values, facilitate economic development, and improve the ability of workers to get to good jobs using a variety of transportation options.

   The City should integrate transportation planning into a comprehensive land use plan to guide future transportation and infrastructure investment. This land use plan would complement and facilitate the region’s transportation network. The plan would also insure the preservation of right-of-way for future rail transit.

   Transportation and infrastructure planning in industrial and manufacturing areas also should include attention to design quality, integration of multiple transportation modes including public transportation, and environmentally conscious, “green” engineering.

   This transportation plan should provide a framework for economic development that physically links downtown and neighborhoods through a thoroughfare that strengthens neighborhood vitality and enhances mixed-use neighborhood business districts, residential character, and overall attractiveness. The city should reconsider its extensive use of one-way streets, emphasize slowing traffic in neighborhood business districts, and implement traffic calming in residential neighborhoods.

   In those areas of the City where past and future freeway construction disrupts neighborhood patterns and street grids, every effort should be made to compensate by creating roads that provide local access and are consistent with urban fabric, patterns and character. As an example, expressway exits, such as the proposed Martin Luther King interchange, should serve as gateways into
the community, and then quickly transition in function, appearance, scale and design from freeway to attractive urban street systems.

2. **The City of Cincinnati’s thoroughfare system should be multi-modal and integrated. Residents, workers, and visitors should have a range of transportation options. Multi-modal transportation networks should connect current residents to jobs, and reinforce the livability and economic vitality of the city’s neighborhoods.**

Just as “one size fits all” is inadequate for transportation planning in today’s dynamic environment; so is “one size fits all” inadequate for public transportation. Cincinnati needs a broader array of transportation choices that connect people to jobs and entertainment, stimulate economic development, strengthen neighborhoods, and facilitate the movement of goods.

The City of Cincinnati should implement a thoroughfare system that integrates autos, public transportation (including bus and fixed rail), and bicycles, while ensuring safe and humane pedestrian access. This may necessitate reducing lane widths, slowing traffic, and changing state regulations and some local transportation practices. In some instances, such as a streetcar system, the city should initiate transportation projects that serve city residents and visitors.

There is a need to integrate all forms of transportation. Future design should provide easy transition spots from one form of transportation to another. These transition spots should be pleasant, provide a sense of destination and encourage circulation rather than simply connectivity.

Multi-modal transportation options are central to the region’s economic vitality, just as they are central to the city’s vitality. While the city can proceed to implement numerous transportation initiatives, ultimately, an effective public transportation system must be regional.

Go Cincinnati’s place based focus on Madison Road, Seymour/Reading Road and Queensgate/ Mill Creek corridors is an opportunity to insure that future transportation and infrastructure investment in these corridors conform to the principles outlined in this Report.

3. **The design, engineering, and construction of transportation systems and other infrastructure should maximize integration of high-performance, “green” practices.**

Hamilton County is entering into a consent decree with the U.S. Environmental Protection Agency to eliminate Combined Sewer Overflows (CSOs). Eliminating CSOs only using traditional “grey” methods could cost the Metropolitan Sewer District (MSD) ratepayers up to $2 billion. This cost combined with limiting MSD’s ability to approve either residential or business expansion because of their potential contribution to stormwater problems, makes implementing new approaches to infrastructure design and construction a priority. Although precise savings have not been calculated, the use of green infrastructure techniques can help to
reduce stormwater entering the system, reduce the cost to ratepayers, enhance the attractiveness and livability of Cincinnati, and allow business and job expansion.

Green infrastructure represents a new approach to stormwater management that is cost-effective, sustainable, and environmentally friendly. Green infrastructure techniques utilize natural or engineered systems to capture, cleanse and reduce stormwater runoff.

The benefits of green infrastructure include urban heat island mitigation, improved air quality, improved energy performance, enhanced right-of-way life cycle, reduced cost of construction, decreased costs of construction and maintenance of infrastructure a more aesthetically pleasing urban landscape, improved property values and protection of highly valued natural habitats.

The city’s thoroughfare system is a major contributor to stormwater runoff. Integrating green infrastructure into the design and construction of the thoroughfare right-of-way will have a significant impact. Appropriate techniques such as the use of porous pavement, continuous trenches for street trees, bio swales, rain gardens, etc. are determined by the context of the thoroughfare.

In addition, the city should intensify the coordination of all construction and public and private utility activities in the right-of-way to reduce redundant construction activities cost, and to preserve both traditional and green infrastructure investment.
9. ECONOMIC DEVELOPMENT DELIVERY SYSTEM RECOMMENDATIONS

Summary

One of the outcomes for the GO Cincinnati Project was to develop a strategy for structuring an economic development system that will best position the City with its partners to facilitate business development and job creation opportunities. A major component of the City’s competitiveness for new business projects and jobs will be in the quality of its economic development delivery system.

To position the City to achieve the economic strategies recommended in the project, the new economic development system must:

- Provide the structure necessary to execute the place-based economic strategies for new business and residential investment
- Balance the private sector’s requirement for a highly efficient and effective structure with the public sector’s requirement for transparency and community engagement.

System Improvement Outcomes

While the City’s focus on the growth opportunity places will generate new revenue for the benefit of all of the City, there also are projects throughout the City where a customer-focused, can-do attitude will improve opportunities to capture additional new revenue. The City’s commitment to attract new jobs needs to be broadly seen, felt and sustained in all of its 52 neighborhoods.

For these reasons, the creation of an enhanced economic development system that supports the focused place-based strategies and broad-based development objectives should be created, with the following outcomes:

**Increase Economic Development Capacity** (growth opportunity areas and throughout city) - The City of Cincinnati should increase its capacity to attract new investment by being better organized, more strategic and more aggressive inside and outside of City Hall.

**Retain and Grow Existing Businesses** - The City of Cincinnati should commit to developing and sustaining a professional effort to retain its existing businesses in key targeted business and industry sectors.

**Minimize Barriers to New Investment** - The City of Cincinnati should commit to reducing barriers to new investment by seeking and formalizing private sector scrutiny of City processes and regulations.
Promote Cincinnati’s Initiatives & Successes — The City of Cincinnati should inform and encourage understanding and appreciation by its citizen stakeholders for the tremendous efforts to improve the City, and to promote Cincinnati’s urban core and its surrounding redevelopment successes as alive, vibrant and open for business and residents.

Summary of Economic Delivery System Recommendations

To position the City to compete for a larger share of new projects and income, the Team recommends the creation of a single quasi-public development agency charged with directing overall economic development services throughout the entire City, and expansion of the City’s current private-sector led catalytic development corporation structure to conduct development in the six growth opportunity areas.

This will reposition the City, through a strong partnership with the private sector, to concentrate multiple resources on the six growth opportunity areas while assuring the City’s development capacity is not compromised, and is actually expanded, for all of its neighborhoods:

1. Expand private-sector investment through an expanded Catalytic Development Corporation structure that will concentrate development expertise and financial resources in the six target growth opportunity places.

2. Create a Development Authority to consolidate and enhance public development functions and improve economic positioning for new investment.

To achieve these two primary goals, there are additional important improvements to the delivery system that are recommended:

3. Create a comprehensive Business Retention and Expansion Program to conduct a comprehensive and intensive outreach campaign to existing businesses to identify and direct a formal program to address barriers to targeted businesses remaining in and expanding in the City.

4. Create an Opportunity Advisory Council to regularly review city processes and regulations that could discourage private investment and provide ongoing input about changing regulatory barriers to growth.

5. Create an ongoing marketing and communications initiative to inform and encourage Cincinnati’s citizen stakeholders to understand and appreciate the tremendous efforts to improve the City of which GO Cincinnati is just one, although significant, element.
**Economic Development System Recommendations**

Both the public and private sector leadership of the City of Cincinnati recognize that it must pursue new levels of collaboration and creative economic development in order to enhance prosperity for its stakeholders. The economic development system structural recommendations require some bold decisions and a renewed commitment to a long-term journey with short and mid-term success. These are reasonable changes intended to leverage the place-based strategies for a more robust impact for the City.

**FOUR STRUCTURAL GUIDING PRINCIPLES** - The economic delivery system should be developed based on these principles:

1. **The City should be the focal point of the region**
   - Cincinnati is the core of a 2.1 million person region that bears its name
   - The economies of the City, Hamilton County and the region are interdependent
   - Hamilton County and the region need the City to be stable, growing and a strong global competitor
   - The City must always act as a regional partner and collaborator

2. **The Economic Development System must increase the City’s opportunities to win**
   - Increase awareness of city opportunities and strengths through business attraction, retention and expansion
   - Increase deal flow by enhancing deal financing pathways, maximizing creativity/flexibility and minimizing risk
   - Improve regulatory attitudes and efficiency by developing customer-focused processes and solutions

3. **The City must be accountable and successful**
   - Actively and meaningfully engage neighborhood / business / political leadership
   - Enhance trust and respect in the City and its leadership among citizens, regional leaders (both public and private), neighborhood and community leadership, and business leadership (especially those with large employment/investment)

4. **The implementation of the City’s place based strategies and its delivery systems must be sustainable**
   - Through successive political administrations
   - In collaboration with other regional players, public and private
   - With private business leadership involvement and financial support
   - With major funding resources through CRA and other sources
RECOMMENDATION 1: Increase economic development capacity through an expanded private-sector “catalytic” development corporation system.

A Catalytic Development Corporation is a privately led, non-profit corporation focusing on real estate development projects and programs for a specific geographic area or business sector. It enhances the effectiveness and efficiency of the overall development services system by leveraging private investment in targeted areas with the greatest economic potential or need. Its operations are funded privately through business contributions as well as support from foundations and other philanthropic sources.

The Catalytic Development Corporation process is working well for the City, as evidenced by the success to date of 3CDC, and should be expanded. 3CDC - The Cincinnati Center City Development Corporation - was created in 2003 as a private, non-profit corporation to increase the effectiveness and efficiency of structuring development deals in a specific geographic area, the Center City. It is funded by contributions from the business sector and support from foundations and philanthropic sources.

This successful Development Corporation mechanism should be expanded to support the implementation of the three new place-based economic strategies. This is a significant role for the private sector to engage in revitalizing the City and provides focused support for the geographic areas of opportunity to become catalysts to generate new income for the City.

Structure - Four Cincinnati Catalytic Development Corporations

Each CDC would collaborate with the new Development Authority and the City with critical focus on expanding economic opportunities within the existing and new economic driver “places” to increase tax revenues for the entire City:

Existing

1. **Uptown CDC** – No change to the current entity Uptown Consortium.

2. **Madison Road Development Corporation** - Expand the scope of the Cincinnati Center City Development Corporation from current focused work in the Central Business District and Over-The-Rhine to take responsibility for the Madison Road Corridor strategy implementation.

New

3. **Seymour/Reading Road Development Corporation** - Create new CDC entity. We recommend TechSolve should become the Catalytic Development Corporation for this area with the support of the Bond Hill Community Council.
4. Queensgate/ Mill Creek South Development Corporation - Create new CDC entity. We recommend expanding the mission of an existing non-profit organization as the preferred mechanism or creating a new entity with the support of major stakeholder organizations that currently are demonstrating success in serving this area in their mission.

As part of Recommendation 1 to increase economic development capacity, the Team recognizes the following organizations must also become partners in this new effort to enhance the City’s competitiveness for attracting, retaining and growing businesses that provide high-wage job creation opportunities:

- **Cincinnati USA Regional Partnership for Economic Development** - A separately funded division of the Cincinnati USA Regional Chamber, the Partnership is the region’s economic development agency for business attraction, marketing, retention and business research and data.

- **CincyTechUSA** - A venture development organization serving high growth potential technology companies in Southwest Ohio. Its mission is to accelerate the growth of start-up technology businesses into high-growth companies through management assistance, seed capital investments, and connections to regional partners.

- **BIOSTART** - A world-class life science start-up center in the City of Cincinnati with a dual-focus approach - catalyst and community - to build life science companies that create jobs, products that improve health and quality of life, and wealth.

- **Cincinnati Minority Business Accelerator** - The flagship economic inclusion initiative of the Cincinnati USA Regional Chamber. Its mission is to accelerate the development of sizable minority businesses and strengthen and expand the regional minority entrepreneurial community, with an initial emphasis on African American-owned businesses.

- **TechSolve** - Helps small to large companies around the globe identify and implement process changes that will make them more successful. TechSolve has successfully developed its industrial park with only 18 acres remaining and continues to play an effective leadership role in promoting redevelopment opportunities in the Bond Hill area.
PROPOSED EXPANSION OF CATALYTIC DEVELOPMENT CORPORATION STRUCTURE

Private-Sector Led
Catalytic Development Corporations

Four Operating Entities
- Uptown Consortium
- Center City Development Corporation (3CDC)
- Seymour/Reading Development Corporation
- Queensgate/Millcreek South Development Corporation

Community Representation
- University of Cincinnati and contiguous neighborhoods
- Center City (Downtown and OTR)
- Seymour/Reading Road Corridor
- Queensgate/Millcreek South Corridor

Madison Road Corridor
NEW
RECOMMENDATION 2: Increase economic development capacity through a new City/County Development Authority.

Although the City should focus on its six growth opportunity places, its economic development responsibility spans all neighborhoods. For this reason, and specifically to position the City for additional development capacity, we recommend the creation of a Development Authority to give the City more expertise, flexibility and speed in deal-making.

Different from the privately-led Catalytic Development Corporation structure, a Development Authority is a quasi-public entity that is empowered by political jurisdictions, through legislative and legal measures, to conduct economic development initiatives, such as project financing and management, and business attraction and expansion, on their behalf. The participating jurisdictions centralize their economic development functions into the Development Authority so that it may respond to market opportunities in a more coordinated, timely, cost-effective, and quality-oriented manner than the current system.

Economic development has evolved into a highly specialized arena requiring immediate responsiveness and flexibility in meeting the requirements of increasingly sophisticated customers. While the City focuses on its utmost priority, its product - a safe, clean community with dependable public services and infrastructure - a Development Authority would focus on attracting and closing deals throughout the City, and would complement the focused “place-based” economic initiatives of the expanded Development Corporation entities by helping leverage public-sector investment to amplify the private-sector investment.

City/County Development Authority

Because economic growth requires an influx of new investment to the region, not a recycling of dollars within it, an economic development system is needed that will align the business attraction and expansion and real estate development resources of the region to most effectively compete with other regions for new investment. The optimal structure for increasing tax revenue is a collaborative model that is jointly created by the City with Hamilton County - a City/County Development Authority.

The City of Cincinnati and Hamilton County derive their revenue from the same regional economy which generates income taxes (City) and property and sales taxes (County). Because this economic relationship is complementary, in that growth in any one of the three revenue sources can drive or support growth in the others, the City and County should consolidate their economic development functions into one agency to:

- align resources and planning to gain a stronger economic position to compete with other regions
- increase capacity to accomplish development deals
- provide a formal platform for ongoing regional collaboration
We propose the name of this City/County agency to be the **Cincinnati USA Development Authority** (CUDA). This agency should be empowered by the two political jurisdictions, through legislative and legal measures, to conduct economic development initiatives, such as project financing and management, and business attraction and expansion, on their behalf. The participating jurisdictions should centralize their economic development functions into the Development Authority so that it may respond to market opportunities in a more coordinated, timely, cost-effective, and quality-oriented manner than the current system.

The Development Authority would direct projects by utilizing its powers to own, build, lease and finance development projects, including Brownfields. It also would be responsible for business attraction, retention, and expansion either in-house or by contract.

For such an optimal system to be created, City and County leadership will need to determine what collaborative structure is best suited to maximize each other’s opportunity to increase tax revenue. This effort could be enhanced with the participation and support of the Cincinnati USA Partnership and the newly formed Hamilton County Economic Development Advisory Panel.

We recommend the development powers of the existing Cincinnati-Hamilton County Port Authority be expanded to serve as the legislative foundation for the new Development Authority. A current statutory foundation would be the existing Port Authority (Port of Greater Cincinnati Development Authority) which could have its capacity and powers expanded to the fullest extent provided by law. Because the current Port Authority was established jointly by the City and County, a joint venture is already in place as the foundation for the recommended consolidation of economic development services.

**Structure**

- City/County collaborative model of a fully empowered Port Authority as provided for in Ohio Law
- Board of private citizens, or public and private representatives, appointed by the City and County
- City and County would fold all economic development capacity into this entity to the extent permitted by law
- City and County would retain all economic capacity as required by law within existing government

**Note** - To assure collaboration between the four privately led Development Corporation entities and the Cincinnati Development Authority, we recommend that the board chairs and directors of all five agencies meet together at least quarterly.
Implementation

- The City and County should modify the existing Port of Greater Cincinnati Development Authority to expand its current limited geographic jurisdiction to the entire City. (Note - During the course of the GO Cincinnati Project, this modification was initiated.)
- The City should contract with the Port Authority to perform all economic development functions provided for by law. The City’s Economic Development Division will become the City’s designated liaison to the Authority.
- The City and County should initiate formal discussions to evaluate and create a consolidated Development Authority to conduct economic development on behalf of the City and County.

Cincinnati Economic Development Division Role

With the optimal structure of a City/County Development Authority in place to lead in developing and funding projects, the City’s Economic Development Division role will be:

- City designee/liaison with Cincinnati USA Development Authority.
- Represent the City in all development-related matters.
- Advise Mayor, City Manager and City Council on all development-related matters.
- Advocacy to assure coordination & approvals through all departments directly impacting development
- Manage department staff needed to administer division’s duties
- Manage City loan/tax credit/ incentives programs
- Manage all development requests for City funding.
- Manage outsourced consolidated Retention/Expansion program
**City/County Development Authority Flow Chart**

- **Development Authority (O.R.C. 4582 – Port Authority)**
  - TIF Funds Management
  - Off-Balance Sheet Financings
  - Multi-jurisdictional Collaboration
  - Business Attraction, Retention and Expansion
  - Bond Fund Financings (IRBs, IDBs, etc.)
  - Land-banking

In Ohio, port authorities can secure these debt instruments with the developer's private capital.

Unused assets of political jurisdiction(s) may be used to monetize port authority operations and enhance Brownfield accountability.

Likely a contracted accountability, one entity can reflect higher accountability and confidentiality.

Management of TIF funds under contract with public entity – Approval power remains with jurisdiction.

An important economic development capacity not available to cities and counties in Ohio.

An important economic development capacity - port authorities can function as independent third parties.
With the optimal structure of a City/County Development Authority in place to lead in developing and funding projects, the City of Cincinnati Economic Development Division will become the City’s designated liaison to the Authority; this role will require the Director to advise the City Manager and Council on requests for project financing/incentives, to secure final project approvals when required by law, and to advocate projects on behalf of the City Manager among City departments and agencies.

City designee/liaison with Cincinnati USA Development Authority.

Represent the City in all development-related matters.

Advise Mayor, City Manager and City Council on all development-related matters.

Advocacy to assure coordination & approvals through all departments directly impacting development.

Manage division staff needed to administer division’s duties.

Manage City loan/tax credit/incentives programs.

Manage all development requests for City funding.

Manage outsourced consolidated Retention/Expansion program.
RECOMMENDATION 3:  Create a formal Business Retention and Expansion Program

The City is in need of a professional and proactive Business Retention and Expansion Program (BRE) to conduct a comprehensive and intensive outreach campaign to identify and address barriers to businesses in the nine target business and industry growth sectors. The City has not sustained a comprehensive Retention and Expansion program for decades. Ideally, such a program would be contracted to outside sources having existing relationships with Cincinnati-based businesses:

- The City’s role, then, would be to focus on specific needs that have been identified by its contract agent to retain or assist a company with plans for growth. This “case management” should be housed in the City Manager’s office in order to coordinate solutions among all departments.

- If the DA is formed, it is recommended that this BRE program should be contracted by the City to the DA. In addition, the Cincinnati USA Partnership of the Cincinnati USA Regional Chamber is a valuable and key support resource for this BRE program. The Chamber has been recognized nationally for the Partnership’s BRE activities. Although regional in its scope, the Chamber and the Partnership bring significant credibility and horsepower to a new BRE for the City.

RECOMMENDATION 4:  Create a privately led Opportunity Advisory Council

In development, time is money. Private investment will go to where it can maximize its return. Unnecessary regulations and processes add time to the cost of development. The City should be diligent to ensure that in regulating the built environment, it does not over-regulate and discourage private investment.

A citizen-based Opportunity Advisory Council should provide ongoing review of City regulatory development processes and recommend improvements to improve opportunities for new business investment:

- The existing City of Cincinnati Regulatory Advisory Committee should be the foundation for the new Council. Its scope should be expanded from its current focus on the City’s one-stop permit center to now assess all of the City’s development review and approval processes and advise the City Manager on recommended improvements.

- Its current members, originally appointed by the mayor, should be asked to evaluate the expanded scope and recommend how its membership should be “reconstituted” to assure inclusion of members having broad-based experience with the City’s various development processes. This model was originally recommended by the City of Cincinnati Economic Development
Task Force in 2003, and the focus of the group since its creation has been to help establish the one-stop permit center and make service delivery improvements, which it has and continues to accomplish. The current Committee’s demonstrated success in this arena justifies a continuing and expanded partnership with the City.

If the City and County are successful in creating a consolidated economic development system, the City’s Opportunity Advisory Council should be aligned with the County’s newly formed Economic Development Advisory Panel. This can be accomplished either by one member from each board serving on the other, or the City’s advisory group serving as a specialized subcommittee of the countywide advisory panel.

**RECOMMENDATION 5: Create a Targeted Marketing and Communications Campaign**

The new delivery system needs to include an ongoing marketing and communications initiative. Cincinnati’s citizen stakeholders should be informed and encouraged to understand and appreciate the tremendous efforts to improve the City of which GO Cincinnati is just one, although significant, element.

Many in the City and in the region remain critical and doubtful as to the City’s credibility and opportunities, even though many others are dedicated cheerleaders. Beyond an internal marketing campaign, there also is a need for an external effort to promote Cincinnati’s urban core and its surrounding redevelopment successes as alive, vibrant and open for business and residents.

- This part of the improved economic development delivery system should be contracted to the Cincinnati USA Partnership. Ideally, it should be best equipped to execute a first-class marketing campaign both internally and externally. However, the City needs to make the financial investment to make this happen.
10. WORKFORCE DEVELOPMENT RECOMMENDATIONS

Summary

The City of Cincinnati lost nearly 8,000 jobs between 2000 and 2005. Outside of the two neighborhoods that served as job creation drivers for the City - Downtown and Uptown - the remaining neighborhoods accounted for 5,000 jobs of this total loss.

The strategies contained in this Report focus on development in key growth opportunity areas that have the potential to create nearly 5,000 new jobs in the targeted areas alone within five years. They also present an opportunity to improve the City’s ability to capture more of the jobs estimated to be created regionally in the nine growth business and industry sectors, which are estimated to add 44,735 jobs to the region by 2014.

For these reasons, a comprehensive workforce development delivery system is considered critical, and central, to achieving the outcomes of the GO Cincinnati Project. The GO Cincinnati Workforce Development Committee recommends that the City pursue the following steps:

- Create a collaborative partnership among public and private funders, providers and businesses to align workforce development resources, goals and strategies; and,

- Charge a single intermediary – either an entity currently engaged in workforce/educational initiatives or a new one – with the central responsibility and accountability for achieving the agreed-upon goals and strategies.

- Address both the supply and demand functions of the worker pipeline.

Overview

The single most important factor affecting competitiveness for most companies is the cost and quality of labor. An educated workforce with a competitive wage structure is a primary factor for companies in their consideration of locations. The City’s investment to increase education and employment skill sets will position Cincinnati to compete for more companies and jobs.

The most successful economic development initiatives are characterized by an integrated collaboration among economic developers, workforce providers, educational institutions and businesses who, by working together, can gain greater flexibility to respond to
changing market conditions to meet the needs of business growth. To achieve this, the current workforce development delivery system will need to more closely align its services with the goals of business attraction and retention initiatives, align current funding to that strategy, and expand the funding base for workforce development targeted to growth sectors.

This section of the Report provides recommendations for workforce development activities that will be required to support the job creation potential generated by implementing the GO Cincinnati development strategies. The goal of the GO Cincinnati workforce recommendations is twofold:

1. to organize and mobilize the workforce network to focus training, placement and retention systems around the core skillsets needed to support the job creation potential of the place-based strategies, and,

2. to help the City increase its “capture rate” for more of the regional job growth projected in the coming years.

Local Employment Trends (2000-2005)

The employment outlook for “business as usual” in the City of Cincinnati’s current economic development and workforce initiatives is seriously grim:

- The City of Cincinnati is losing market share in office, industrial and residential development.
- In the recent five-year period from 2000 – 2005, the City lost nearly 8,000 jobs.\(^\text{10}\)
- The jobs lost from all city neighborhoods outside of Downtown and Uptown accounted for nearly 5,000 of the total. Downtown experienced a net loss of jobs, and Uptown generated a net gain:

<table>
<thead>
<tr>
<th>City of Cincinnati Job Gain (Loss) 2000 - 2005</th>
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<tbody>
<tr>
<td>Downtown</td>
</tr>
<tr>
<td>(6,333)</td>
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<tr>
<td>Uptown</td>
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<tr>
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</table>

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\(^{10}\) Revenue and Expenditure Forecast for the City of Cincinnati, UC Economics Center for Education and Research, June 2006
• Adding to the job-loss picture is the structural undercurrent of unemployment in the City of Cincinnati, which has traditionally ranked significantly higher than the Cincinnati MSA, state of Ohio and even national unemployment rates, and the fact that nearly 27% of the City’s residents live in poverty.

**Job Growth Projections by Growth Sector for Cincinnati MSA**

If the City of Cincinnati implements the three place-based strategies recommended in the Report, the resulting new real estate assets will support an estimated 5,000 new high-wage jobs in the three new target areas alone over a five-year period. Considering that the City lost nearly 5,000 jobs in five years in all of its neighborhoods outside of Downtown and Uptown, the potential to regain those jobs back through concentrated development strategies in only three places, and in a similar five-year time horizon, represents a tremendous opportunity for economic growth.

In addition to the 5,000 jobs that could be supported by implementing the three place-based development strategies, the City of Cincinnati has additional potential to increase job creation citywide. Between 2004 and 2014, the Cincinnati MSA economy is expected to grow by 9.2%, creating approximately 103,600 new jobs. Of this total, nearly 45,000 jobs are estimated to be created by the nine target Business and Industry Sectors.

<table>
<thead>
<tr>
<th>GROWTH OPPORTUNITY SECTOR</th>
<th>MSA Job Projections 2004 - 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Life Sciences</td>
<td>1,270</td>
</tr>
<tr>
<td>Chemical Manufacturing</td>
<td>5,80</td>
</tr>
<tr>
<td>Professional/Technical Services</td>
<td>11,080</td>
</tr>
<tr>
<td>Aerospace</td>
<td>1,550</td>
</tr>
<tr>
<td>Management of Companies</td>
<td>610</td>
</tr>
<tr>
<td>Advanced Manufacturing</td>
<td>2,400</td>
</tr>
<tr>
<td>Insurance &amp; Banking</td>
<td>3,920</td>
</tr>
<tr>
<td>Hospitals (includes Social Assistance)</td>
<td>23,680</td>
</tr>
<tr>
<td>Educational Services</td>
<td>140</td>
</tr>
<tr>
<td><strong>Total Jobs Projected by Target Sectors</strong></td>
<td><strong>44,735</strong></td>
</tr>
</tbody>
</table>

11 The 15-County Cincinnati-Middletown Metropolitan Statistical Area includes Brown, Butler, Hamilton and Warren Counties (Ohio); Dearborn, Franklin and Ohio Counties (Indiana) and Boone, Bracken, Campbell, Gallatin, Grant, Kenton and Pendleton Counties (Kentucky).
12 Revenue and Expenditure Forecast for the City of Cincinnati, UC Economics Center for Education and Research, June 2006
13 Ohio Bureau of Labor Market Information, February 2006
This figure does not contemplate the impact of the place-based strategies proposed in this Report, so the 5,000 new jobs projected to be supportable by the new real estate development in Madisonville, Seymour/Reading Roads and Queensgate/Mill Creek corridors would be net new jobs in addition to the existing regional projections.

The City can increase its “capture rate” for these regional jobs by implementing workforce strategies that concentrate training and preparedness in the industry sectors identified as having the highest growth potential in the region. The workforce development recommendations identified here address actions needed to support both the 5,000-jobs that could be supported by the initial steps to implement the three place-based strategies and to position the City more competitively to capture a larger share of the 103,600 jobs that are forecast for the region.

Summary of Local Employment Trends

A 2006 study by the University of Cincinnati’s Economics Center (previously referenced) included demographic and economic profiles of the City of Cincinnati that revealed a number of alarming trends, as well as key dynamics impacting the City’s revenue outlook, including:

- 65% of the City’s workforce lived outside the City as of the 2000 US Census. As residential centers are emerging in the suburbs, there is ongoing risk that the jobs will follow the workforce. This is already evident in the change from the 1990 Census when 62 percent of the City’s workforce lived outside the City.

- The City’s population is about 14% of the Metro population, down from 20% in 1990.

- Downtown accounted for 34% of all jobs in the City in 2005 and has the highest average annual wage, followed by Uptown at 20% of the City’s employment. However, from 2000 – 2005 Downtown lost 6,333 jobs while Uptown gained 3,449 jobs.

- The top 150 employers in the City (ranked by amount collected on employee withholdings) accounted for more than $140 million of the total $240 million collected in 2005. This figure indicates that large government operations such as the City, County, Cincinnati Public Schools, University of Cincinnati, EPA and the VA Medical Center are very important to the City.

- For the majority of the past decade, Ohio’s unemployment rate was slightly lower than or mirrored the national rate of unemployment; even better, the Cincinnati Metropolitan Statistical Area (MSA) unemployment rate traditionally was at least one percent lower then the national rate.
Unemployment in the City of Cincinnati has traditionally ranked significantly higher than the Cincinnati MSA, state and national unemployment.

In 2004, unemployment in the Cincinnati MSA surpassed the national rate for the first time in many decades, and the City's rate dropped slightly, narrowing the disparity between the regional unemployment and that of the City.

The Cincinnati MSA economy is expected to grow by 9.6% during 2004-14, creating approximately 103,600 new jobs. This growth will occur predominantly in service-providing industries including trade, transportation, utilities, information, financial activities, professional and business services, education, health, leisure and hospitality, and government. Within these growth sectors, the most new jobs are projected to be created in professional and business services, education, and health services. Goods-producing sectors, including manufacturing, are projected to lose more than 6,000 jobs.

In this same period, it is projected that individuals with more education and training will enjoy better job opportunities, with growth rates of 30% for occupations requiring graduate degrees, and a range of 1.8% for occupations requiring short-term training to about 10% growth for those requiring up to a year of on-the-job training.

More than three-fourths of the job openings projected during this period are expected to result from the need to replace workers who leave the labor force or transfer to another occupation. This is called a “net replacement” need. Many of these jobs are entry level and tend to be lower-skilled, so as workers achieve more education and training they can benefit from occupational mobility. Occupations in the Cincinnati MSA with the most projected openings (listed from highest to lowest) include:

- Food Preparation/Serving
- Office/Administrative Support
- Sales/Related
- Transportation/Material Moving
- Healthcare/Technical
- Production
- Management
- Construction/Extraction
- Education/Training/Library
- Business/Financial Operations
• The fastest growing job category in the Cincinnati region, fueled by the aging population, is expected to be healthcare support with projected 27.8% growth between 2004-14 for medical assistants, nursing aides, home health aides, orderlies and attendants.

Highlights of National Workforce and Job Trends

Due to the diversity of its business and industry base, Cincinnati employment trends typically mirror the nation as a whole.

• Nearly 70% of companies contacted in a national survey completed this year report difficulty finding certain types of workers.\(^\text{14}\) Cited as being in short supply nationally are:

<table>
<thead>
<tr>
<th>Administrative Staff</th>
<th>Electrical Engineers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales Professionals</td>
<td>Mechanics</td>
</tr>
<tr>
<td>Operations Managers</td>
<td>Machinists</td>
</tr>
<tr>
<td>Marketing Specialists</td>
<td></td>
</tr>
</tbody>
</table>

• To attract and retain workers, companies are implementing pay increases and perks. The most common are increasing starting salaries; offering starting bonuses; providing education reimbursement and paid time off weekly to study/attend class; flexible scheduling and telecommuting; and discounted group rates for insurance and other voluntary programs.

• For recent graduates entering the workforce, companies cite as the skills most lacking: writing, critical thinking, and interpersonal/conflict management.

\(^{14}\) Challenger, Gray & Christmas global outplacement consultancy reported to the Society for Human Resource Management, 2007
Current Workforce Development System in Cincinnati

Like most urban areas in America, Cincinnati has over time concocted a "patchwork quilt" of workforce development programs comprised of publicly funded agencies, public/private partnerships, and privately funded community-based organizations. Also like many other U.S. communities, Cincinnati has yet to bring these multiple parties into alignment between the supply side (workers) and the demand side (employers) of the workforce equation to rightfully call it a "system."

In recent months, several groups have identified the need for changes in the workforce development structure, starting with preparation of youth in school, and have started working toward greater alignment of goals, strategies and outcomes in what can be collectively called career pathways to work:

Agenda 360. A regional civic agenda for the future of Southwest Ohio, led by the Cincinnati USA Regional Chamber, Agenda 360 is comprised of a series of Action Teams organized around specific topics. Three of them – economic competitiveness, educational excellence, and effective governance – have all flagged workforce development as a critical issue, underscoring its importance to our region’s future vitality.

Great Oaks/Cincinnati State Technical & Community College. These two schools have partnered to develop a Healthcare Career Pathway. A recent report called “Ohio Skills Bank: A Turnaround Ohio Initiative” proposes in 2008 to begin helping Ohio’s regions develop the capacity to eliminate worker shortages through education and credentialing. The initiative is demand-driven (employers) to determine target industries, occupation shortages and skillset needs. The initiative calls for multi-disciplinary partnerships. Although funding has not been put in place or announced, it is anticipated that this initiative will be funded for three years (2008-10).

Ohio College Tech Prep. Affiliated with UC’s Raymond Walters College for the Southwest Ohio area, OCTP has developed eight career pathways serving traditional students through high school and into college. The areas are information technologies, health technologies, business and marketing technologies, engineering and manufacturing technologies, environmental science, construction and automotive technologies, biotechnologies, and exercise science/physiology.

Strive. Strive is a cooperative effort launched to improve educational achievement and attainment in urban core communities to position the region to compete in the global economy. Strive partners concentrate their focus on the major steps for educational development by coordinating resources and services both within and outside the school system. Sponsored by The KnowledgeWorks Foundation, Strive has developed a Student Success Network for youth employment that involves over 40 partners. Led by the Southwest Ohio Workforce Investment Board, this network of educators and training providers is identifying and developing traditional career pathways. Common data will be gathered, performance metrics aligned, and service delivery enhanced.
**Southwest Ohio Workforce Investment Board (WIB).** The WIB has received a grant from Better Together Cincinnati, which is a collaborative of 15 funders working to reduce racial disparities in the areas of education, economic opportunity and police/community relations. The purpose of the grant was to retool the WIB’s measurement systems to increase focus on metrics in placement and retention (in addition to training). The WIB has become increasingly well positioned to provide leadership across sectors and recently hired a seasoned workforce professional to lead the quasi-public organization.

**GO Cincinnati’s Contribution to Alignment**

Viewed in context with the other initiatives described above, the GO Cincinnati Team’s identification of nine growth opportunity areas and three significant place-based strategies is very timely. It provides a clear target for developing future employees to match future job opportunities.

Since 2004, the Workforce Investment Board and others have been migrating toward a sector strategy to design and develop training programs. Current workforce initiatives utilizing federal WIA funds are already aligned with the industry cluster employment training strategy developed in 2004. According to a number of workforce leaders, the transition to the nine sectors proposed by the GO Cincinnati study should “not be a stretch” although planning and development time will be required.

**Workforce Development Recommendations and Implementation Strategies**

Although the GO Cincinnati recommendations for increasing the City’s revenue focus on place-based development strategies, the Team recommends that the City support a comprehensive workforce development strategy that (1) expands initiatives for skills development to support the 5,000 jobs potential of the place-based development strategies, (2) improves the capture rate for the 103,600 regional jobs, and (3) includes access to good jobs and career pathways for the lowest-income workers to help reduce the City’s 27% poverty rate.

When fully developed, the workforce development strategy will address both the supply and demand functions of the worker pipeline to sustain the current focus on worker readiness (training to improve the skill sets of the unemployed/underemployed) AND expand training for focused skill development (to support the employment needs of growing businesses). Additionally, the workforce strategy will strive to integrate transportation and family self-sufficiency strategies with workforce development to connect the 27% of the City’s residents living in poverty to the good jobs being created through the new economic development strategies.
1. Create a collaborative partnership among public and private funders, providers and businesses to align workforce development resources, goals and strategies.

Cincinnati City Manager Milton Dohoney convened workforce providers in late October to discuss the GO Cincinnati strategy. In advance of a meeting hosted by the Community Action Agency, a survey sent to these providers tallied the number of programs that address basic skill development, general workforce development training, and industry sector programs. The primary purpose of the meeting was to gain the providers’ commitment to retooling programs to meet the industry sector and place-based development strategies developed by GO Cincinnati. It was a strong first step.

Subsequently, The Greater Cincinnati Foundation (GCF) convened the City’s major public and private funders of workforce development to discuss the concept of forming a collaborative partnership to support the development of a strong workforce system. The stakeholders present at this meeting concurred that the process should begin immediately to convert stakeholders to collaborative partners.

As a second important step, GCF presented the opportunity to form this partnership to the existing Better Together Cincinnati funders’ collaborative, and received a “thumbs up” to pursue this direction. The Cincinnati partners intend to seek participation in the National Fund for Workforce Solutions in 2008, which could offer significant technical assistance as well as some external funding to complement Cincinnati’s local resources.

The collaborative partnership should include representatives from the other initiatives described above who are working on educational and career pathway initiatives designed to generate a pipeline of workers starting from early childhood through college and in ancillary efforts such as youth employment initiatives.

2. Charge a single existing intermediary currently engaged in workforce/educational initiatives, or call for the creation of a new one, with the central responsibility and accountability for achieving the agreed-upon goals and strategies.

Guided by the direction set by the partnership described in Recommendation #1 above, a “Workforce Intermediary” should be tapped (or created) to mobilize the providers involved in workforce development to align current initiatives to support the new economic strategies. The Intermediary should engage local employers to help its partners in the effort to develop a market-drive workforce strategy. The Intermediary should include as partners the area’s specialized public/private partnerships for educational attainment and achievement and career pathway development.

15 Participants included City of Cincinnati, Workforce Investment Board, Hamilton County Job and Family Services, United Way of Greater Cincinnati, University of Cincinnati, Cincinnati State Technical & Community College, and the co-chairs of GO Cincinnati.
3. **Address both the supply and demand functions of the worker pipeline:**

   a. **Sustain the current focus on worker readiness training to improve the skill sets of the unemployed and underemployed.**

   More than three-fourths of the job openings in the Cincinnati area projected through 2014 are expected to result from the need to replace workers who leave the labor force or transfer to another occupation ("net replacement"). Many of these jobs are entry level and tend to be relatively low skilled, so as workers achieve more education and training they can benefit from occupational mobility.  

   On the demand side, the highest return on workforce investment has been training workers for high wage/high demand positions. Specifically in the Cincinnati area, the most value being realized by businesses is in training incumbent workers to fill vacant higher skill positions, then hiring lower level workers to train them to backfill the other positions. Businesses and workforce development professionals concur that this methodology has been more productive than previous efforts to directly recruit workers already trained at the needed levels.

   These two seemingly contradictory strategies must be pursued in tandem in order to ensure that Cincinnati addresses racial disparities in economic status and the City's poverty rate.

   b. **Expand training for focused skill development to support the updated industry growth sectors.**

   The Workforce Investment Board (WIB) currently has the greatest leverage to develop and fund the technical training component needed to generate employees ready to work in the target business and industry growth opportunity sectors. The WIB estimates that a minimum of six months of preparation will be necessary to incorporate the workforce services changes.

   c. **Create worker recruitment initiatives to attract talent required for specialized occupations and/or targeted retention/training programs to develop it locally.**

   For certain occupations, local talent pools will need to be augmented by recruiting nationally and internationally. Existing companies in the region are already importing workers, and a strategy is needed to capitalize and expand on this existing recruiting framework.

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16 Workforce Development & Jobs Trend Analysis presented to GO Cincinnati Steering Committee, May 2007
Other Workforce Strategy Considerations

In its Restoring Prosperity project to study America’s declining older industrial urban cities, The Brookings Institution Metropolitan Policy Program proposes reforms for revitalizing city economies. Restoring Prosperity 17 recommends that cities first fix the basics—the fundamental systems for education, safety and competitive cost climates for businesses and residents.

The most fundamental fixes begin with transforming the K-12 system. Failing schools have a dual impact on cities’ economic competitiveness—first by failing to provide the instruction needed for poor/minority students to pursue higher education and quality jobs, and second by deterring middle class families from locating to, or staying in, the cities, which in turn depresses the tax base.

The Restoring Prosperity Report also details improvements needed to improve traditional workforce systems, including:

- Focus on long-term career advancement and job retention rather than solely on job placement and generalized job training.
- Engage businesses and educational institutions in ongoing program design and policy.
- Drive state policy reform to assure that state government (1) provides targeted resources to all post-secondary institutions—vocational and technical schools, community colleges and four-year universities—to create or expand programs to help urban city workers develop the hard skills required for jobs in growing sectors or in targeted regional industry clusters, and (2) invests directly in the creation and growth of workforce intermediaries to help low-income workers establish career pathways to quality jobs and help businesses access job-ready employees.

Important issues require further study and consideration, such as:

- How can additional resources be mobilized to more effectively address the needs of the lowest skilled/unskilled workers?
- Can the talent required for specialized occupations be developed locally, or is there a talent import strategy needed?
- What are the strategies necessary to address out-migration, in-migration, and foreign-born population trends?

17 Restoring Prosperity: The State Role in Revitalizing America’s Older Industrial Cities
11. SUCCESS METRICS

The program to implement the strategies in this Report should be carefully measured on an annual basis using a specific set of metrics established by the City of Cincinnati and agreed upon by key stakeholders and development partners.

The GO Cincinnati Team recommends as a starting point the following 28 Success Metrics:

**Project Implementation Metrics**

1. The Steering Committee should engage in discussions with leadership individuals at the CBC, 3CDC, TechSolve, the Museum Center and other key stakeholders to begin the process of creating the new catalytic development corporations (CDC) referenced in this report.

   1a. These discussions will lead to crafting the conceptual structure for the CDC’s, both organizational and governance, the business plan, and the operating budgets for each, with an outline of sources and uses of funds. The sources of funds discussions should include, not only operating support, but also equity and debt for catalytic funding for CDC investments.

   1b. This effort will also identify who should lead the particular CDC as chief staff executive and/or craft the scope (general job description) for these positions.

   Timeframe: 3 months

2. The Steering Committee should engage in discussions with City of Cincinnati and Hamilton County officials to further the support for bringing the Development Authority proposal to reality. This effort will require strong resolve by leadership to address issues raised by some within the City and within Hamilton County as to why such a single countywide development authority is either too bold or not necessary.

   Timeframe: 3 months

3. The Mayor should appoint a Implementation Team when he publicly announces the adoption of the GO Cincinnati recommendations:

   3a. A number of the Steering Committee members should transition onto the Implementation Team.
3b. The Implementation Team would assume responsibility for all further efforts and discussions relative to building the CDC's and the Development Authority.

3c. The Implementation Team would also serve as a primary resource to the City of Cincinnati relative to the other recommendations of the report, as well as the City’s consideration and development of policies that would prioritize the three place-based strategies relative to development opportunities.

**Timeframe:** 3 months

**Place-Based Development Metrics**

4. Create the privately-led catalytic development organizations to serve as the implementation agents for each of the three place-based strategies and secure a five-year funding source(s) for operations for each.

**Timeframe:** 12 months

5. Charge each of the catalytic development organizations with creating master development plans based on the Report’s place-based strategies, including designation of each corridor’s boundaries, and identification of a land development strategy specifying key parcels to acquire/assemble/rezone.

**Timeframe:** 18 months

6. As a component of the strategies to develop a quality built environment in each of the three new Growth Opportunity Places, create clean and safe programs in each place utilizing (1) increased public investment through programs such as specialized safety police units (an existing model is the Cincinnati Police Department Downtown Services Unit) and (2) private-sector funding sources through Special Improvement Districts, or other dedicated funding, at a cost level based on an urban average of $25,000 annually per block (an existing model is Downtown Cincinnati Inc.).

**Timeframe:** 18 months

7. Identify and secure public-sector (local/state/federal) and private-sector funding to pursue land acquisition and predevelopment for the three place-based strategies; this “catalytic investment” is estimated to be required at a level of 20% of the total estimated development value of $1.01035 Billion (Office, Industrial, Flex/R&D, Retail, Housing) and in the initial five-year development phase typically requires a 5:1 public/private funding ratio, estimated as follows:
Total Development Value $1.01035 Billion
20% Catalytic Investment $202.07 Million
20% Public Capital Investment $ 40.41 Million
80% Private Capital Investment $161.66 Million

Timeframe: 60 months

After the initial five-year development phase, the percent of public funding required for ongoing development should reduce to 10% with 90% private sector investment.

8. Increase total available real estate assets through new development/redevelopment in the three target growth opportunity places by 4.45 million square feet office/industrial/commercial and 2.0935 million square feet residential by the end of the five-year initial development phase as identified for each category:

<table>
<thead>
<tr>
<th>Category</th>
<th>Square Feet</th>
</tr>
</thead>
<tbody>
<tr>
<td>Office</td>
<td>468,000 SF</td>
</tr>
<tr>
<td>Industrial</td>
<td>1,265,000 SF</td>
</tr>
<tr>
<td>Flex/R&amp;D</td>
<td>120,000 SF</td>
</tr>
<tr>
<td>Retail</td>
<td>857,000 SF</td>
</tr>
<tr>
<td>Housing</td>
<td>1,740 Dwelling Units/2,093,500 SF</td>
</tr>
</tbody>
</table>

Timeframe: 60 months

9. Increase the City of Cincinnati's total net revenue collection in the three target Growth Opportunity Places by $6.4 Million\(^\text{18}\) by the end of the five-year initial development phase with a total impact over twenty years of up to $146 Million net revenue increase\(^\text{19}\).

Timeframe: 60 months

\(^{18}\) In nominal dollars. Sum of $4.1M Madison Road Corridor, $1.7M Seymour/Reading Corridor, and $601,000 Queensgate/Milicreek South Corridor net revenue increase. Refer to Fiscal Impact Modeling Technical Exhibits.

\(^{19}\) Aggregate
10. Through implementation of the place-based strategies and economic development delivery system recommendations, the creation of an estimated 4.45 million square feet of new real estate assets will support the creation of nearly 5,000 new jobs.

Timeframe: 60 months

**Residential Market Growth Metrics**

11. Convert obsolete commercial/office space to viable residential units/mixed-use by the end of the five-year initial development phase, focusing on but not limited to Downtown and Over-The-Rhine. Conversion of obsolete space shall continue without stopping as long as office vacancy rates remain above 15% for the CBD OR until market sustainable office rents exceed rents necessary to justify new construction. Over the next five years, this most likely will mean the conversion of between 1M and 2M SF of obsolete office space. (Removing subpar office/commercial space improves lease rates for existing office and potentially creates demand for new modern office construction, and new residential units increase demand for retail and restaurants.)

Timeframe: 60 months

12. Develop a master plan to convert institutional/distressed housing into market-rate, for sale housing in the three new Growth Opportunity Places, focusing on but not limited to the Seymour/Reading Road and Madison Corridors.

Timeframe: 24 months

13. Capture at least 12% annually of new luxury multi-family projects developed in the region and create an investment climate in the City, through public improvements focusing on walkable urban development (transit, parks, and other public components), to eliminate, after the initial five-year development phase, the necessity for public subsidy of residential projects in order for them to be viable.

Timeframe: 60 months

**Office Market Growth Metrics**

14. Reduce and optimally stop the decline in the City’s capture rate of occupied regional office space, which is averaging a 1% drop annually (2006 was 47.1%, down from 52.4% in 2000).

Timeframe: 60 months
15. Retain 500,000 square feet of corporate office space in the City by capturing projects relocating from the Central Business District and securing them in the Madison Road Corridor or Seymour/Reading Road Corridor, or elsewhere in the City. (Nearly 500,000 square feet of new or renovated office space is projected to be added during the initial five-year development phase.)

Timeframe: 60 months

**Industrial/R&D/Flex Market Growth Metrics**

16. Create an advisory panel of national experts on green industrial park development to guide the City’s planning to develop a green industrial park, and include in this initiative visits to at least 2-3 green industrial parks identified as best-in-class in the nation and meetings with officials involved in each park's development and with park tenants. These visits should be conducted by a team comprised of City officials, developer representatives, and officials from companies engaged in green-manufacturing initiatives that have a regional presence including GE, Duke Energy, Toyota, and Procter & Gamble.

Timeframe: 12 months

17. Create a team of locally based officials representing green-manufacturing corporations with a regional presence, including Toyota, Duke Energy, GE and Procter & Gamble, to guide the City and the real estate development community in evaluating market demand for green industry ventures. The key role of this green industry opportunity team will be to leverage national expertise within their corporations on green sustainability practices and project planning to help the City and private sector developers align its green industrial economic development with potential opportunities in the marketplace.

Timeframe: 18 months

18. As a continuation of the work in items 13 and 14, these additional actions should be accomplished as identified and directed by the national advisory panel and local green industry opportunity team:

   18a. Once market demand is evaluated, the City and green industry opportunity team should work with the Cincinnati USA Partnership to identify 20 potential green industrial/flex/R&D company prospects to target for attraction (promote the City’s new LEED-CRA tax incentive for green projects).

   18b. Revise the City’s zoning and building regulations to define and codify standards for modern/clean/green industrial development.
18c. Revise the City’s zoning to expand and preserve sites that have been designated for modern industrial development, including as recommended in this Report, revising the City’s zoning specific to opportunities in each of the Growth Opportunity Places, for example, to discourage big-box retail and preserve opportunities for R&D/green industrial projects in the Seymour/Reading Road Corridor.

18d. Solicit, coordinate and close land/facility donations (surplus government/public and private) of toward assembling property for development/redevelopment for green industrial and R&D/Flex use.

Timeframe: 24 months

19. Develop a green industrial/technology park of a minimum acreage determined by the green industry opportunity team (or achieve the same amount of total acreage through two or three individual sites that have been assembled/redeveloped and/or through rehabilitation of existing buildings) focusing on but not limited to the Seymour/Reading Corridor and Queensgate/Mill Creek South Corridor.

Timeframe: 48 months

**Economic Development Delivery System Structure Metrics**

20. Create privately-led catalytic development organizations to serve as the implementation agents for each of the three place-based strategies and secure a five-year funding source(s) for operations for each.

Timeframe: 12 months

21. Create a City/County Development Authority and designate to it full authority to conduct economic development projects and programs on behalf of participating jurisdictions.

Timeframe: 18 months

22. Identify goals and metrics for a formal Business Retention and Expansion Program, secure funding and launch the program either in-house or by contract.

Timeframe: 6 months
23. Identify goals and metrics for a formal Marketing and Communications Program, secure funding and launch the program either in-house or by contract.

Timeframe: 6 months

24. Re-organize the existing City Regulatory Advisory Committee to become the GO Cincinnati Opportunity Advisory Council and charge it with the scope of responsibilities recommended in the Report.

Timeframe: 6 months

**Transportation/Infrastructure Metrics**

25. Gain consensus and commitment to support the two key GO Cincinnati urban transit improvements, a street car system connecting job hubs in Downtown and Uptown and a direct interchange on Interstate 71 connecting to Uptown, then launch a planning and lobbying initiative to secure local, state and federal funding.

Timeframe: 12 months

26. Secure funding to be used to construct the two key GO Cincinnati urban transit improvements from either local and state public/private sources as well as federal sources, but if federal funding is not provided or insufficient, secure funding from local and state public/private sources only.

Timeframe: 24 – 36 months

**Workforce Metrics**

27. Charge a single entity to serve as a Workforce Development Collaborative with the responsibility and accountability to align workforce development goals among public and private workforce funders, providers and businesses, and to develop strategies to support the GO Cincinnati initiatives.

Timeframe: 6 months

28. Identify and procure additional funding annually to supplement/expand existing workforce training programs focusing on core skill sets for each of the currently identified business/industry clusters or for updated clusters if revised subsequent to this Report.
The amount of additional funding needed and identification of core skill sets for each sector shall be designated by the Workforce Development Collaborative.

Timeframe: 12 months
12. GO CINCINNATI CONSULTING TEAM PROFILES

The Brookings Institution
Washington, DC

Lead Project Role: Urban revitalization, place-based development

The Brookings Institution is a nonprofit public policy organization whose mission is to conduct high-quality, independent research and, based on that research, to provide innovative, practical recommendations that advance three broad goals:

Strengthen American democracy;
Foster the economic and social welfare, security and opportunity of all Americans and
Secure a more open, safe, prosperous and cooperative international system.

www.Brookings.edu

KMK Consulting Company
Cincinnati, OH

Lead Project Role: Economic development strategic planning, local market knowledge

KMK Consulting provides specialized consulting services to governmental, corporate, entrepreneurial and not-for-profit clients and is considered to be a national leader in the economic development arena. KMK Consulting focuses on three specialty advisory services: economic development strategies and collaborative delivery systems; investor assessments and capital campaigns for organizations; and corporate site selection and incentives.

www.KMKConsulting.com
RCLCO (Robert Charles Lesser & Co.)
Bethesda, MD

**Lead Project Role:** Real estate market analysis/fiscal impact modeling

RCLCO provides end-to-end solutions to clients in the real estate industry. As a leading independent real estate advisory firm, RCLCO helps real estate companies, financial institutions, corporations, institutional investors, and public-sector entities make sound decisions about development, management, investment, design, and corporate strategy issues.

www.RCLCO.com

Social Compact
Washington, DC

**Lead Project Role:** Demographics research/assessment

Social Compact is a national not-for-profit corporation whose mission is to help strengthen neighborhoods by stimulating private market investment in underserved communities. Social Compact conducted its assessment in partnership with Cincinnati real estate consulting firm Property Advisors.

www.SocialCompact.org