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## Kinsey Flats

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## **Cincinnati, Ohio**

Project Type: **Mixed Use/Multiuse**

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### **PROJECT TYPE**

An adaptive use project located in the heart of downtown Cincinnati, Ohio, Kinsey Flats combines upscale loft-style apartments with first-floor retail space in four once-vacant historic buildings. The former industrial site—the E.A. Kinsey Warehouse—now contains 25 apartments, five retail/commercial storefronts, and 118 parking spaces.

### **SPECIAL FEATURES**

- Adaptive use involving conversion from industrial to residential and retail uses
- The first development financed with the Urban Living Loan Fund created for Cincinnati's urban core
- Rehabilitation using federal historic tax credits
- Neighborhood revitalization

### **PROJECT ADDRESS AND WEB SITE**

331 West Fourth Street  
Cincinnati, Ohio 45202  
[www.kinseyflats.com](http://www.kinseyflats.com)

### **DEVELOPER**

Middle Earth Developers, Inc.  
3103 Colerain Avenue  
Cincinnati, Ohio 45225  
513-681-3400  
Fax: 513-681-3507  
[www.medevelopers.com](http://www.medevelopers.com)

### **ARCHITECT**

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Cincinnati, Ohio 45202  
513-621-5533  
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### **CONSTRUCTION/BRIDGE/PERM LOAN FINANCING**

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Cincinnati, Ohio 45202  
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## GENERAL DESCRIPTION

Middle Earth Developers' rehabilitation of Kinsey Flats has transformed a vacant historic warehouse into first-floor retail space and three stories of apartments targeted to young professionals. The majority of financing was provided by federal historic tax credits and a loan pool designed to stimulate the production of housing in downtown Cincinnati.

Middle Earth Developers, Inc., is a Cincinnati-based firm specializing in renovating and remodeling historic buildings for residential and commercial uses. Middle Earth Developers serves as its own developer, general contractor, property manager, and leasing agent. The firm's focus is residential and mixed-use development in and around Cincinnati's central business district, with an emphasis on upscale apartments and condominiums.

## SITE AND BACKGROUND

Downtown Cincinnati is undergoing a significant renewal, with several major new developments such as the Paul Brown Stadium and Great American Ballpark, the Lois and Richard Rosenthal Center for Contemporary Arts, the Arnoff Center for the Arts, and the National Underground Railroad Freedom Center. In addition, a growing number of restaurants and entertainment venues have made living downtown more appealing, especially for young professionals. The redevelopment of Kinsey Flats is part of a general trend in downtown Cincinnati to rehabilitate historic buildings and convert them into new rental properties. This revitalization is especially notable in the aftermath of the 2001 riots in nearby neighborhoods, which occurred after a city police officer shot and killed an unarmed African American teenager. Rental apartments in the central business district have become increasingly popular and homeownership, particularly condominiums, is now becoming more marketable.

Kinsey Flats is located on the west side of downtown Cincinnati in the West Fourth Street Historic District, listed on the National Register of Historic Places. The district is home to a mix of dining, entertainment, professional, and retail establishments all within a six-block radius. Its many late 19th- and early 20th-century Italianate, Second Renaissance Revival, and Commercial style buildings reflect Cincinnati's retail and industrial heritage. The Kinsey Flats development is an adaptive use of a former four-building manufacturing facility built during the 1890s for machinery merchant E.A. Kinsey Co.

## FINANCING

Kinsey Flats was the first project financed by the Cincinnati-based Urban Living Loan Fund (ULLF), a \$25.5 million loan pool formed in 2001 by six local banks, three area foundations, and Fannie Mae's American Communities Fund. Created to stimulate housing development in Cincinnati's urban core, the ULLF features low-interest-rate loans and up to 90 percent financing. The ULLF is administered by the Cincinnati Development Fund, a nonprofit community development financial institution focused primarily on housing.

Kinsey Flats received first and second mortgages totaling \$3.3 million from the ULLF, with \$500,000 in equity available through the use of federal historic tax credits. The developer provided the remaining \$73,500 equity. The ULLF also provided \$3.8 million in construction loans. As a locally based source of financing dedicated to underwriting housing production in downtown Cincinnati, the ULLF helped to accelerate the development of Kinsey Flats. The seller of the building also carried about \$200,000 of the acquisition cost, which helped to bridge a gap in construction financing.

Finally, Middle Earth Developers negotiated with the city to lease a 26-space metered parking lot adjacent to the building for a below-market rent. The net cash flow derived from the parking lot provided Middle Earth with the means to close a \$500,000 gap in financing with a minimal level of bureaucracy. In exchange for the attractive lease terms, the city required that the lot continue to provide hourly metered parking to serve customers of retail businesses in the area.

## **PLANNING, DESIGN, AND CONSTRUCTION**

Last used as an auto-parts warehouse, the Kinsey Flats structures had been vacant for the past decade before Middle Earth Developers purchased them in 2002 from another developer. The previous owner had originally bought the properties with the intention of knocking them down to put up a hotel. The historic nature of the structures, however, prevented him from getting a demolition permit from the city. While waiting for the buildings to instead succumb to “demolition by neglect,” the owner retired and decided to sell them. The structures, which were suffering from serious disrepair, had to be stabilized before rehabilitation could begin. The renovated buildings, now a blend of historic architecture and industrial style, are on a dense urban block with a mix of retail, residential, and office uses.

The five first-floor retail storefronts, spread over the property’s four buildings, have large display windows and recessed street entries. The spaces range in size from 1,252 to 3,187 square feet (382 to 971 square meters), for a combined total of 10,000 square feet (3,180 square meters). Local zoning requirements and federal historic tax credit criteria required the developer to keep the first floor as retail space. In addition, the retail space is consistent with the mixed-use character of the neighborhood. However, in two of the five spaces, the developer carved out an apartment in the rear. These units are at the ground level on the street side, but one story above grade in the back of the building.

The three floors of apartments, served by an elevator, are accessible at the street level through a single main entrance on Fourth Street and via the ground-level secured parking in the rear. The interiors of the one- and two-bedroom loft apartments range in size from 612 to 1,337 square feet (186 to 408 square meters) and have either one or one-and-a-half bathrooms. The units feature open floor plans, big windows, wide-plank hardwood floors, and custom industrial lighting fixtures. The 14-foot (four-meter) ceilings contain exposed beams and ductwork. Some units have walk-in closets and large master suites and fireplaces, while others have lofted bedrooms with industrial-style railings. The kitchens feature concrete countertops, custom-built cabinetry and open shelving, and stainless-steel appliances including dishwashers, refrigerators, and stoves. A shared laundry center and storage units are in the basement of the building.

For building security, resident entrances are monitored with intercoms and video linked to each apartment. Residents who subscribe to Time-Warner cable can sign up for video access to view the lobby entrance via the cable system.

The property includes a total of 118 available parking spaces. Of these, 26 are metered spaces on a lot the developer leases from the city; 73 are on two surface lots, individually leased for \$60 per month; and 19 are secured spaces in a garage on the ground floor of the building, reserved for apartment tenants. In the first year, the secured parking spaces were free for apartment tenants; they are now leased for \$40 per month. Apartment tenants who do not have a garage space are allowed one free space in the property’s surface lot.

## **MARKETING, MANAGEMENT, TENANTS, AND PERFORMANCE**

The typical resident of the Kinsey Flats apartments is a young urban professional for whom living in a centrally located upscale apartment in a rehabilitated historic warehouse holds a fashionable appeal. This market, which includes many young women, enjoys the architectural flair of the building and its interior style and security features, but is not concerned with additional amenities. Middle Earth Developers manages the property. Monthly rents range from \$675 to \$1,095, typical of the average rent downtown. Preleasing began in July 2003, with full absorption by October 2003. Occupancy continues to be at 100 percent, with a two- to four-month waiting list. Overall occupancy levels for rental units in downtown Cincinnati stand at about 95 percent.

To reach the target market, promotional efforts tended to be through independent channels. A banner was placed on the building to advertise the apartments, an advertisement was put in the local alternative weekly, and 5,000 colorful postcards were printed and placed in coffeehouses, restaurants, and bars. (Only 1,000 were used before the units were fully leased.)

A model apartment was built ahead of schedule and preleasing for units started over the summer of 2003. The model apartment was also a featured stop on Cincinnati’s Annual Downtown Tour of Living (held every September

since 1999), and many leases were signed after this event. Typically attracting 2,000 to 3,000 people, the all-day tour highlights urban living options, such as lofts and renovated townhouses, in downtown and nearby core neighborhoods.

Of the five retail/commercial storefronts, one is now occupied by a RE/MAX real estate brokerage. The others are vacant, available with a “white box finish,” where prospective tenants must be prepared to complete the buildout of the interior space. However, the smaller square footage in the Kinsey Flats retail space is more likely to appeal to independent small businesses—tenants who are less likely to have available the upfront capital needed to finish the space. As a result, the retail spaces have been difficult to fill in downtown Cincinnati’s already soft market for street-level retail. The developer is now considering investing in a speculative buildout of one or more of the retail spaces.

The below-market rents start at \$4.50 per square foot (\$14.76 per square meter) for street-facing storefronts. The remaining available space is advertised through exterior signage, two prominent Web-based commercial listings (loopnet.com and officespace.com), as well as the developer’s Web site. In addition, a single-page, double-sided full-color mailing that includes photos, a site plan, and dimensions goes out to about 50 commercial real estate agents approximately once a year. Alternatively, the developer is considering a listing with a commercial real estate agent to lease the retail space.

### EXPERIENCE GAINED

- Good design makes more money. The choice to play up the character of the industrial historic building with chic urban decor, rather than run-of-the-mill standard interiors, paid off.
- Look at what else is on the market and carve out a niche. Kinsey Flats offered urban style in its apartments and found a demand for them in a market that was underserved in this area.
- Building a model apartment ahead of schedule really helped the preleasing of the apartments and got a head start on overall absorption.
- Providing off-street parking for apartment residents is essential in a downtown with many street parking restrictions, and on-site secured parking is of particular appeal for a core urban neighborhood. The availability of surface lot parking spaces for retail tenants and customers is also an advantage over comparable properties downtown.
- Certain amenities are especially useful in a multistory apartment building. In the future, the developer will consider including trash chutes on each floor and washer/dryer hookups in each unit.
- Secure an additional line of credit upfront to have funds available to build out at least one retail storefront to be ready to occupy. The developer chose to refurbish the storefronts but to lease them without any buildout. However, the retail spaces in Kinsey Flats are smaller, appealing to independent entrepreneurs who typically do not have the capital to invest in buildout, making them harder to lease.

PROJECT DATA	
LAND USE INFORMATION	
Site area (square feet/square meters): 36,064/3,350.35	
GROSS BUILDING AREA (GBA)	
Use	Area (Gross Square Feet/Square Meters)
Retail	10,000/929
Residential	32,000/2,972.8
Interior parking	6,000/557.4
Exterior surface parking	30,000/2,787
LEASABLE AREA OR UNITS/ROOMS	

Use	Area (Square Feet/Square Meters)
Retail gross leasable area	10,000/929
Residential	27,500/2,554.8

### RESIDENTIAL INFORMATION

Unit Type	Size (Square Feet/Square Meters)	Rent
Loft	775-1,428/72-132.7	\$675-\$1,095
Townhouse	729-1,337/67.7-124.2	\$795-\$995

The residential component of this project is at 100 percent occupancy with a waiting list.

### RETAIL INFORMATION

Tenant Classification	Number of Stores	Total GLA (Square Feet/Square Meters)
Real estate broker office	1	1,600/148.6
Total	1	10,000/929

#### Retail Leasing Information

Annual rents: approximately \$4-\$5 per square foot/\$43.05-\$53.82 per square meter

Average length of lease: 2 to 5 years

Typical terms of lease: Triple net lease, landlord delivers white box finish, tenant pays for and executes buildout

All other retail/office space is unoccupied, but available for lease

Percentage of GLA occupied: 16

### DEVELOPMENT COST INFORMATION

**Site Improvement Costs:** \$3,400,000

Building cost: \$825,000

Demolition: \$50,000

Site improvements: \$210,000

New construction and rehabilitation cost: \$1,810,000

Construction contingency: \$260,000

Furnishings/appliances: \$50,000

General requirements: \$35,000

Contractor overhead and profit: \$160,000

**Construction Costs:** \$380,500

Architectural and engineering design: \$60,000

Architectural and engineering supervision: \$4,500

Survey costs: \$2,000

Engineering fees: \$5,000

Construction/builder's risk insurance: \$10,000

Utilities: \$9,000

Construction loan fees: \$74,000

Construction interest: \$140,000

Construction loan administration: \$5,000

Appraisal: \$4,000

Title and recording fees: \$10,000

Tax credit fees: \$8,000

Nonlender legal fees: \$7,000

Lender legal fees: \$10,000

Accounting fees: \$2,000

Miscellaneous predevelopment expenses: \$30,000

**Soft Costs:** \$131,000

Developer's fee and overhead: \$10,000

Real estate taxes during construction: \$15,000

Rent-up costs/marketing: \$2,000

Rent-up reserves: \$38,000

Operating reserves: \$15,000

Soft cost contingency: \$51,000

**Total Development Cost:** \$3,911,500

#### **DEVELOPMENT SCHEDULE**

Planning started: May 2002  
Site purchased: July 2002  
Construction started: July 2002  
Sales/leasing started: October 2003  
Project completed: January 2004

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#### **DIRECTIONS**

*From Cincinnati/Northern Kentucky International Airport:* Take I-275 East to I-71/I-75 North. Cross over the Ohio River, and immediately look for Fifth Street exit. Proceed east on Fifth Street for one block. Take a right on Plum Street, go one block, and then take a right on Fourth Street. The project is at the end of Fourth Street on the left at 331 West Fourth Street.

*Driving time:* 25 minutes in nonpeak traffic.

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This Development Case Study is intended as a resource for subscribers in improving the quality of future projects. Data contained herein were made available by the project's development team and constitute a report on, not an endorsement of, the project by ULI—the Urban Land Institute.

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