Walnut Hills
Reinvestment Plan

MARKET ANALYSIS

MARCH 14, 2016
Context

Introduction

The Walnut Hills neighborhood is in the process of undergoing a significant and historic transformation. After decades of disinvestment, some see an opportunity to position Walnut Hills as the next neighborhood in Cincinnati, given its accessibility to Downtown, Over-The-Rhine, University of Cincinnati, Hospital District, and Xavier University, in addition to its historic character, walkability and access to Eden Park. Though certain parts of the neighborhood are challenged with concentrations of poverty, crime, and blighted conditions, the historic housing stock and dense, yet underutilized retail corridor along East McMillan and Gilbert Avenue give the neighborhood marketability assets to build upon.

These early stages of Walnut Hills' revitalization are also aligned with broader revitalization efforts throughout the city of Cincinnati as a whole—after six straight decades of population loss, the city has now stabilized, according to the most recent American Community Survey estimates. Between 2010 and 2015, the overall population increased by an estimated 1.3 percent. Many close-in neighborhoods, including Over-The-Rhine, Northside, and East Walnut Hills are undergoing significant transformation with new residential construction and reinvestment activity, and increased vibrancy in their retail districts.

The purpose of the following market and economic analysis is to support the Walnut Hills Reinvestment Plan by gaining an understanding of the development and redevelopment potential for housing, retail, and other uses in Walnut Hills, as well as the underlying challenges to achieving greater economic prosperity. This analysis considers site context, marketability, opportunities and constraints, socio-economic trends and characteristics, competitive supply, and demand and market segmentations as a basis for a reinvestment strategy.

Urban Redevelopment Trends

Cities across America continue to experience a renaissance in urban redevelopment. After decades of disinvestment in many inner-city neighborhoods, there has been a resurgence in demand and reinvestment activity, especially in many of Cincinnati’s peer cities. These changes, in part, can be attributed to significant demographic shifts—the proportion of “traditional” households (married couples with children) is declining whereas non-family households consisting of singles, couples with few or no children, and non-related roommates are increasing. In fact, some projections indicate that by 2025, approximately 72 percent of households in American will be non-family households. (Martha Fransworth Riche). According to a survey by the National Association of Realtors, 66 percent of households would compromise larger housing and larger lots for being closer to work and in a walkable area with a mix of uses. This has a direct impact on the size and types of housing that cities must provide to accommodate these changing housing preferences.

The housing preferences of Millennials and young professionals also cannot be ignored. According to a 2009 study by CEOs for Cities, there was a 26 percent increase of young professionals (25 to 34 year olds with a four-year college degree) across the 51 largest MSAs in “close-in neighborhoods” (i.e., neighbor-hoods located in and around downtowns), compared to a 13 percent increase in this
demographic group outside of close-in neighborhoods. This same study cited an increase of 28 percent of this cohort in Cincinnati far outpacing regional growth.

When considering the retail environment, the internet has changed the way people shop—according to the U.S. Census, from 1999 to 2010 web-based electronic sales increased by an astounding 3,700 percent. This has taken a toll on brick-and-mortar retailers across the county; however, in many cities, strong urban main streets and retail corridors have managed to survive despite these trends. Though the internet has created a global marketplace regardless of location, people still support some local retailers.

The world is **reordering itself** economically and socially.

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**Growth of Young Professionals in Close-In Neighborhoods**

(25-34 Year Olds with a Four Year Degree)

<table>
<thead>
<tr>
<th>City</th>
<th>Close-in</th>
<th>Rest of MSA</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cleveland</td>
<td>49%</td>
<td></td>
</tr>
<tr>
<td>Buffalo</td>
<td>27%</td>
<td></td>
</tr>
<tr>
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<tr>
<td>Columbus</td>
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<td>Indianapolis</td>
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<td>Louisville</td>
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<td></td>
</tr>
<tr>
<td>Nashville</td>
<td>41%</td>
<td></td>
</tr>
<tr>
<td>Pittsburgh</td>
<td>40%</td>
<td></td>
</tr>
<tr>
<td>St. Louis</td>
<td>87%</td>
<td></td>
</tr>
<tr>
<td>Washington DC</td>
<td>31%</td>
<td></td>
</tr>
<tr>
<td>51 Largest MSAs</td>
<td>13%</td>
<td>26%</td>
</tr>
</tbody>
</table>

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* Martha Farnsworth Riche
† If it puts them closer to work, mix of uses, etc. National Association of Realtors
1999-2010 Census

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**Demographics**

72% non-family households by 2025

**Preferences**

66% prefer attached or small lot housing

**Internet Trends**

3,700% increase in web-based electronic sales
**Introduction to Market Analysis**

Market and economic analysis are required, in tandem, to fully understand development conditions, and why some types of development are more or less likely to occur without public intervention. While market analysis established a baseline of understanding on the revenue side of the development equation—how much development can occur, and what rents and sale prices are achievable, economic analysis considers the cost side of the equation, which includes land and development costs, and whether or not a desired product can realistically be delivered to the market.

While analysis provides a baseline of understanding, it is the strategies that add the value. Market strategies ensure that the conditions—including improvements to the public realm, effective marketing and branding, and the design of products to target specific markets—are created that enable market potentials to be realized. Economic strategies align economic policies with strategic community initiatives to create conditions under which desired development can occur.
Key Findings

Residential

- Over half of renter households can only afford rents of $500 or less per month, suggesting that many of these households are living in subsidized properties and/or substandard housing. Most of these households are concentrated in the North and Southwest subareas, although the Southeast study area also has a relatively high concentration of very-low income households.

- For owner-occupied housing, there is a stark contrast in values between North, Southwest, and Southeast; more than two-thirds of owner-occupied housing in North (67 percent) and Southwest (76 percent) have median values below $100,000. Southeast, on the other hand, has a much more abundant stock of middle-income housing with half of its owner-occupied units valued between $150,000 and $300,000.

- Despite the socio-economic challenges in the North and Southwest subareas, housing values in Walnut Hills, as a whole, have increased at a faster rate (16 percent, from 2011 to 2015) than the city and region in the last few years indicating growing demand.

- The proportion of renter-occupied households in Southwest and Southeast is comparable to the city as a whole, but the rate of rentership is higher in the North subarea, at just under 90 percent. Dense urban neighborhoods like Walnut Hills should have a health mix of owner- and renter-occupied housing, but there is a need to increase the proportion of owner-occupied housing in the North subarea.

- Rents are generally lower in Walnut Hills compared to other competitive neighborhoods, although rents vary dramatically between the North, Southwest, and Southeast study areas.

- Newer market rate apartments in other competitive neighborhoods are achieving rents around $1.50 per square foot, with some reaching $1.75 per square foot for smaller one-bedroom and studio units. Rents for older multi-family properties or single-family homes vary depending on neighborhood and quality. Rents for these types of properties are generally below $1.00 per square foot in Walnut Hills and are generally between $1.00 and $1.50 in the other competitive neighborhoods.

- Vacancy is an issue across all three subareas with rates higher than the city. Based on American Community Survey and ESRI estimates, there are around 500 vacant units in North, 100 vacant units in Southwest, and 350 vacant units in Southeast for a total of 950 units. Across the entire Walnut Hills neighborhood that includes portions west of Interstate 71, there are approximately 1,200 vacant units, of which, approximately 450 are offline (likely abandoned or uninhabitable).

- The North subarea is an area of concentrated poverty with a median household income of $13,000, lower than a full-time worker earning minimum wage. The unemployment rate is over 20 percent, which can be attributed to the low education levels—more than half of
households do not have a high school degree and only five percent have a bachelor’s degree or higher. Access to public transportation is also very critical for North residents since less than half of households have access to a vehicle.

- Walnut Hills is home to many of the young urban professional market segments found in other competitive neighborhoods including Northside, Over-The-Rhine, Clifton, and Oakley Square. There could be opportunities to attract more of these types of households to Walnut Hills if the neighborhood continues to improve marketability and offer the types of housing that are attractive to these groups. These groups tend to have higher incomes and can afford newly constructed (or rehabilitated) market rate construction.

- Walnut Hills is also home to a large proportion of very low-income households emphasizing the need for targeted affordable housing strategies that should include quality affordable housing development and paths to ownership programs.

- Walnut Hills, as a whole, has higher rates of unemployment, lower educational attainment, and lower incomes compared to many revitalizing neighborhoods that have had strong population growth in the last five years, including Over-The-Rhine, Northside, and East Walnut Hills/Woodburn.

**Retail**

- There is a significant amount of retail leakage from residents living in Walnut Hills and the retail market area. In other words, residents have to shop outside of the market area to satisfy demand.

- Residents of Walnut Hills and retail market area have total estimated consumer demand of $191 million with local retailers satisfying $105 million of this demand. This results in a total demand gap of $86 million, which could support approximately 270,000 square feet of retail space. This presents significant market opportunities for Walnut Hills to capture a greater portion of this demand gap.

- Currently, there is a demand gap of $1.3 million of grocery store demand that could support roughly 4,000 square feet. The loss of the Kroger would increase this to roughly 35,000 square feet. In addition, there is over 70,000 square feet of less competitive grocery space in the market. Taken in total, a new competitive opportunity could emerge for a higher quality grocer to enter the market, and occupy 40,000 to 60,000 square feet.

- The retail market area has an oversupply of restaurants and bars. In other words, residents alone cannot sustain them and the area must continue to attract visitors or new residents to support/expand these uses.

- Consumer preference data for retail market area residents shows the diversity of households and types of retail that they would support—residents have a stronger-than-average preference for organic foods, but at the same, a stronger-than-average preference for fast food.
The strong preference for organic food opens the opportunity for a local health food store, green grocery or new vision for the existing Kroger site. At the same time, given the number of low-income households with limited disposable income, there is still a need for affordable fast food options in the neighborhood.

The very low market preference for home improvements and pet stores is somewhat attributed to the higher proportion of renters in the market area since these types of stores tend to be favored by homeowners.

Based on current household buying power, every 100 households living in the North subarea can support 3,400 of retail, while every 100 households living the Southeast subarea can support 9,100 square feet of retail.

There are just under 10,000 workers (part- and full-time) in Walnut Hills and an additional 24,000 workers when considering the areas within a roughly five-minute drive of Peebles' Corner. Their spending on coffee, lunch, and other daily needs supports approximately 100,000 square feet of retail. An improved retail environment in Walnut Hills could allow for the capture of a greater portion of this demand.

Recent listings show that retail spaces in more established retail environments around Walnut Hills are leasing for between $15.50 and $19.00 per square foot. Initial lease rates in an emerging Walnut Hills retail district likely need to be lower, in order to be competitive.

**Office**

Based on the latest available employment growth projections for the Cincinnati MSA, there will be demand for approximately 1.4 million square feet of “net new” office space over the next 10 years.

Of this demand, roughly 700,000 square feet will be from conventional office tenants, 650,000 square feet from medical office tenants, and around 50,000 square feet for civic/government uses.

Similar to many Midwestern cities, the market for Class A office space is relatively weak. With total regional vacancy of Class A office space at around 15 percent, a large portion of this projected office demand could be absorbed by the 3.8 million square feet of available space, which reduces demand for larger-scale office construction.

Case study analysis indicates that, despite the soft office market, an employment-centric development may be possible at the new MLK interchange. Such a development would likely target institutional and owner-occupied/single user tenants who seek the convenience of greater highway access and visibility than a downtown location generally provides. This potential opportunity would require significant vetting and outreach with the community, since residential development is present in the area.
Neighborhood Context in Cincinnati

During the first step of identifying the market potential and challenges of Walnut Hills, it is critical to understand the neighborhood’s position within the context of the city as a whole. Though regional growth has been steady, the city of Cincinnati had been losing population for decades until a recent reversal triggered by significant revitalization efforts in many centrally located neighborhoods like Over-The-Rhine, Northside, and Corryville and growing demand in well-established neighborhoods like Clifton, Mt. Adams, and Hyde Park.

Population Change (2000-2010)

From 2000 to 2010, most neighborhoods in Cincinnati lost population with the only significant growth occurring in Over-The-Rhine, Downtown, and parts of Clifton. Population decline in Walnut Hills was generally comparable to most of the city’s central neighborhoods. The neighborhoods stretching to the east, including Hyde Park and Oakley Square were relatively stable.

Population Change (2010-2015)

Since 2010, there has been a significant turnaround in population change, especially in the core neighborhoods of the city. Population change throughout the city has generally stabilized, while Over-The-Rhine and Downtown continues to attract new residents and up-and-coming neighborhoods like Northside, East Walnut Hills, and Corryville had significant population gains.
**Median Household Income**

Walnut Hills, especially the areas in the North neighborhood subarea has some of the highest concentrations of households earning less than $15,000 in the entire region. Walnut Hills is somewhat unique given the wide range of household incomes throughout the community. Median household income in the neighborhoods to the east generally increases moving eastward.

**Education**

Given the strong link between educational attainment and earning potential, the distribution of education levels generally mirrors median household income. Parts of Walnut Hills, notably in North and Southwest, have some of the highest concentrations of households without high school degrees in the city.
Employment Centers
The marketability of Walnut Hills is greatly enhanced by its proximity to major regional employers—Walnut Hills is within one to two miles of the two largest concentrations of employment in the region with Downtown to the southwest and University of Cincinnati and Hospital District to the west. Both of these areas are accessible via public transportation. This presents an opportunity to attract more urban professionals to the neighborhood as well as linking unemployed and underemployed residents to employers to promote more economic opportunity.

Owner-Renter
There is a much higher concentration of renters in the central parts of Cincinnati compared to other parts of the region. Generally, the proportion of renters in Walnut Hills is comparable to other central neighborhoods, while the proportion of owner-occupied households increases in the neighborhoods stretching eastward.
Neighborhood Subareas

For the purposes of analyzing the baseline market conditions in Walnut Hills, three neighborhood subareas have been established: Southwest, North, and Southeast. Though the goal of the Revitalization Plan is to focus on the three designated Focus Areas (Southwest, McMillan, and MLK Interchange), the subareas help identify current socio-economic challenges and inform strategies for future development, programs, and services.

Southwest
Bound by Interstate 71 to the west, East McMillan Street to the north, Gilbert Avenue to the east, and Eden Park Drive to the south

North
Bound by Interstate 71 to the west, Victory Parkway to the north, Park Avenue to the east, and East McMillan Street to the south

Southeast
Bound by Gilbert Avenue to the west, Eden Park to the south, Victory Parkway to the east, and East McMillan Street to the north
SWOT Analysis

An assessment of Walnut Hills’ geographic context has been undertaken to understand its marketability strengths, weaknesses, opportunities, and threats (i.e. SWOT analysis) within the broader region. This includes an assessment of the existing housing stock, socio-economic conditions, accessibility, land use synergies, employment and retail market, and citywide development patterns that currently impact, or may impact, the neighborhood in the future. The result is a better understanding of the area’s potential competitive position in the regional or sub-regional marketplace for uses such as housing, retail, employment, and entertainment.

Strengths

Location and accessibility
Perhaps one of its greatest assets, Walnut Hills benefits from having an excellent central location within two miles of the region’s primarily employment and recreational hubs including Downtown, Over-The-Rhine, University of Cincinnati, Xavier University, Hospital District, and Eden Park, all of which are accessible via public transportation. The new MLK interchange will also make the neighborhood more accessible to regional arterial networks.

Diverse housing stock and affordability
The existing housing stock offer a diverse mix of single-family homes, townhomes, smaller multi-family properties, and higher-density apartments and condominiums across a broad spectrum of affordability levels, including a number of subsidized properties.

Proximity to revitalizing neighborhoods
The marketability of Walnut Hills is enhanced by recent development activity in nearby neighborhoods, including Woodburn and DeSales Corner, Uptown, and Corryville. Increasing housing costs in Over-The-Rhine, Hyde Park, and Oakley Square also enhances the positioning of Walnut Hills given its relative proximity and affordability.

Eden Park
The proximity to Eden Park gives Walnut Hills a competitive advantage over other neighborhoods—countless studies have shown a strong link between housing values and accessibility to parks and public spaces. Future revitalization efforts can unlock the market potential of living in close proximity to one of the premier recreational amenities in the region.

Southeast housing market
Though the North and Southwest subareas are faced with considerable socio-economic challenges, Southeast is well-established with median housing values above the city and regional median. Though not the direct focus of the Reinvestment Plan, there are considerable positive spillover effects from Southeast’s prosperity, especially related to new market rate development and enhancements to the retail environment.

Access to employment services
Though many of the citywide social service and workforce development resources are located about three miles west near Union Terminal, Walnut Hills is fortunate to have a number of local service providers and community resources including Easter Seals, which provides services for unemployed or underemployed individuals, Labor Works, a manufacturing temp job provider, and local employers such as HGC Construction. Given the extreme disparities in income throughout
Walnut Hills Reinvestment Plan
Phase I Market Analysis

Walnut Hills, these types of services providers and employers will be critical to providing opportunities for upward mobility.

**Property Values**
Over the last few years, property values in Walnut Hills have increased faster than the citywide average and over the last year, Walnut Hills had the third largest proportional increase in housing values compared to all other neighborhoods in the region.

**Momentum**
The transformation of Walnut Hills is underway, but more importantly, the community can already see positive change with the recent additions of Fireside Pizza, Five-Points Alley, East McMillan streetscape improvements, and Trevarren Flats. This momentum can have a tremendous impact on the psyche of a community that has had to endure decades of disinvestment.

**Weaknesses**

**Concentrated poverty**
Despite the relative prosperity of the Southeast subarea, other parts of Walnut Hills, especially the North and Southwest subareas, contain areas of concentrated poverty and residents face tremendous challenges with accessing economic opportunity. Despite the physical accessibility to employment opportunities Downtown, University of Cincinnati, or Hospital District, there are educational barriers to these opportunities with more than half of households in North and almost 40 percent of households in Southwest without a high school degree.

**Concentration of deeply subsidized housing**
There is a need for subsidized housing in Walnut Hills given the number of very low-income households; however, it is estimated that around a third of occupied housing in Walnut Hills is subsidized. Also, the majority of these units are deeply subsidized (public housing or Section 8) with no minimum income restrictions; therefore, even with effective upward mobility strategies, households that achieve self-sufficiency will be effectively “replaced” with other very low-income households.

**Retail vacancy**
The retail environment is often the window into a community and high vacancy can create negative perceptions and hinders marketability. There are also considerable challenges given the size and condition of many of the spaces and costs associated with renovation/rehabilitation.

**Neighborhood conditions**
The public realm in many parts of the community, including streets and sidewalks, are in disrepair. The prevalence of dilapidated housing and vacant structures also hinders neighborhood marketability and reduces the willingness of building owners to repair and maintain their properties.

**Crime**
Whether perceived or actual, it is undeniable that crime is extremely detrimental to the overall marketability of a neighborhood.

**Substandard Housing**
Though there is a large proportion of deeply subsidized housing in Walnut Hills, much of the “market rate” housing is still affordable since it is substandard. The owners of these properties
often cannot generate enough rental income, or personal income, for proper maintenance. Additionally, given the weak market conditions in the North and Southwest subareas, it is not economically viable to rehabilitate many of the existing vacant structures.

**Fragmentation**
Given topographical challenges, east-west accessibility to the Southwest subarea from Gilbert Avenue is limited and the completion of the new MLK Interchange will further sever the residential areas to the north of Dr. Martin Luther King Drive.

**Limited On-Street Parking**
The limited availability of 24-hour on-street parking along East McMillan and Gilbert Avenue hinders the marketability of the retail environment both for shoppers arriving by automobile, but also for creating more of a "main street" environment.

**Opportunities**

**Catalytic development**
There are several opportunities for catalytic development within a few blocks of Peebles' Corner at the intersection of Gilbert Avenue and East McMillan Street. The vacant land to the west and northwest of Fireside Pizza provides a substantial redevelopment opportunity along with the future rehabilitation of the Paramount Building and potential redevelopment of the existing Kroger site.

**Land assemblage costs**
Given the weak market conditions in North and Southwest, land and property acquisition costs are relatively low. Larger assembled parcels will make redevelopment more attractive to developers and economically viable.

**MLK interchange**
Improved accessibility to Interstate 71 will open redevelopment opportunities along the Dr. Martin Luther King Drive corridor, but also improve vehicular accessibility to the heart of Walnut Hills. This will not only make the residential areas of the community more attractive, but also enhance the marketability of the retail environment.

**Continued revitalization of the Cincinnati as a whole**
The city of Cincinnati had been losing population for decades, but population has now stabilized with a net increase of 1.3 percent from 2010 to 2015. Given evolving housing preferences, there is increasing demand for dense, walkable neighborhoods within close proximity to employment opportunities. Walnut Hills stands to benefit from increasing employment opportunities Downtown and University district and improving conditions in nearby neighborhoods.

**Diversity of retail space to accommodate a wide range of tenants**
Walnut Hills has a diversity of interesting and distinctive building types with main street-style street frontage that can accommodate a wide range of uses. Walnut Hills has the opportunity to position itself as a vibrant and diverse urban district.

**Leveraging strong market conditions in Southeast**
Walnut Hills is well-positioned to succeed given its already strong market conditions in the Southeast subarea. Though its prosperity is not shared in other parts of the neighborhood, higher income households can support more retail and increasing marketability of Southeast can have positive spillover effects.
REACH Program
The Port of Greater Cincinnati Development Authority will be focusing its Reach Across Cincinnati and Hamilton County (REACH) program in Walnut Hills in 2016. The program acquires and renovates existing homes or demolishes and rebuilds new homes that are then sold at below market prices. This has been an effective program in other neighborhoods in Cincinnati for stabilizing vacant or underutilized properties in Walnut Hills.

Placemaking
Improving the appearance and function of Gilbert Avenue and East McMillan Street and elsewhere within Walnut Hills will make the area more attractive and inviting to existing and potential residents and businesses. Successful creative placemaking efforts such as Five-Points Alley will continue adding vibrancy and community building to the neighborhood.

Attraction of workforce
There are approximately 34,000 jobs within a five-minute drive of Peebles’ Corner, not even including workers on the University of Cincinnati campus. If Walnut Hills could capture a larger share of the local workforce’s daily spending on lunch, coffee, take-out, or other daily needs, it could support more retail on Gilbert Avenue or East McMillan Street.

Threats
Deeply subsidized affordable housing
A large concentration of deeply subsidized housing not only concentrates poverty, but also reduces the overall marketability of a community. There is a considerable challenge with providing much needed housing and services for very low-income households, while promoting a sustainable mixed-income community.

Neighborhood Deterioration
Maintaining aging historic properties in neighborhoods with weak market conditions is a constant challenge since owners cannot generate high enough rents, or have the personal income, to properly maintain their properties. In order to attract new investment and market rate development, a targeted property intervention program should be implemented in the near-term.

Continued Neighborhood Fragmentation
Though the MLK interchange will improve vehicular access to and from Interstate 71, it will further isolate the neighborhoods to the north, which are already challenged with blighted conditions, inaccessibility, and concentrated poverty.

Crime
In many cases, increased criminal activity can be traced to certain problem properties or areas. Problem properties not only dramatically reduce property values for adjacent properties, they also hinder future reinvestment for the community as a whole. Without targeted enforcement programs and/or property acquisition, crime and negative perceptions will proliferate.

Fresh food inaccessibility
Kroger is centrally located within walking distance of the entire neighborhood and its potential departure would make fresh food options more inaccessible for area households. This is critical since more than half of households living in the North subarea do not have access to a vehicle.
Affordability of other competitive neighborhoods
While rents and for-sale products in many competitive neighborhoods—including Northside, Clifton, East Walnut Hills, parts of Oakley, and Kentucky side of region—are rising, they are still generally affordable by east and west coast standards. It is likely to be a wise strategy to position Walnut Hills as the next competitive neighborhood, with housing that is more affordable than these other places, yet modest projected regional population growth and high vacancy rates in the city likely mean that positive change will come incrementally in these early stages. Targeted investments at key catalyst sites and nodes will be needed to make the most of burgeoning, but limited, demand.

Competitive positioning with other retail corridors and clusters
Though the continued development and revitalization of DeSales Corner will have a positive impact on Walnut Hills and Peebles’ Corner, careful positioning of tenants and resources in any new commercial district in Walnut Hills is necessary to ensure the place is either sufficiently differentiated, or that adequate demand exists to support similar uses. Additionally, Rockwood Commons, Hyde Park Plaza, and Oakley Square have successful commercial districts that require Walnut Hills to position itself strategically within this context.

Affordability of new market rate development
While new investment and new residents should be encouraged, in order to broaden the tax base, buying power, and socio-economic diversity, careful monitoring of the impact of these changes on existing residents is needed to avoid displacement. It is unlikely to be economically feasible to mandate that a percentage of new housing be affordable without use of government programs (such as low income housing tax credits), but as home prices and rents increase, such policies may become practical and necessary to maintain equity between existing residents and new ones.
Demographic Overview

Who is living in Walnut Hills

Understanding how each neighborhood subarea “ranks” on a series of socio-economic indicators gives a high-level view of the strengths and challenges to the marketability and economic positioning of Walnut Hills. The three subareas all lost close to 20 percent of their population from 2000 to 2010 far outpacing population loss the city (10 percent); however, since 2010, the subareas have somewhat stabilized, although Southwest continues to loss population. The socio-economic challenges and disparities in opportunity are quite apparent when comparing median household income and education levels between the three market areas.

Residents in Southeast higher incomes and education levels and lower rates of unemployment compared to the city as a whole. Given the average household size, there are more singles and couples with no children compared to the other market areas, city, and region.

North is an area of concentrated poverty with a median household income of $13,000, lower than a full-time worker earning minimum wage. The unemployment rate is over 20 percent, which can be attributed to the low education levels—more than half of households do not have a high school degree and only five percent have a bachelor’s degree or higher. Access to public transportation is also very critical for North residents since less than half of households have access to a vehicle.

Southwest has more favorable socio-economic characteristics compared to North, but still has lower income and educational levels compared to the city as a whole. Given the higher concentration of single-family homes, household seized are larger and there is a much higher proportion of households with children.

<table>
<thead>
<tr>
<th></th>
<th>North</th>
<th>Southwest</th>
<th>Southeast</th>
<th>Cincinnati</th>
<th>MSA</th>
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<td>-22%</td>
<td>18%</td>
<td>-10%</td>
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<td><strong>Population Change 2000-2010</strong></td>
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<td>-5%</td>
<td>0%</td>
<td>1%</td>
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<td>$44,000</td>
<td>$33,000</td>
<td>$55,000</td>
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<td><strong>% without High School Degree</strong></td>
<td>56%</td>
<td>38%</td>
<td>25%</td>
<td>27%</td>
<td>12%</td>
</tr>
<tr>
<td><strong>% with at least Bachelor’s</strong></td>
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<td>8%</td>
<td>55%</td>
<td>31%</td>
<td>32%</td>
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<tr>
<td><strong>Unemployment Rate</strong></td>
<td>21%</td>
<td>10%</td>
<td>2%</td>
<td>5%</td>
<td>4%</td>
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<td><strong>Average Household Size</strong></td>
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<td>2.6</td>
<td>1.6</td>
<td>2.1</td>
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<tr>
<td><strong>Household with Children</strong></td>
<td>26%</td>
<td>38%</td>
<td>11%</td>
<td>25%</td>
<td>33%</td>
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<td><strong>% Households with Vehicle</strong></td>
<td>43%</td>
<td>70%</td>
<td>79%</td>
<td>78%</td>
<td>92%</td>
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</table>

Source: ESRI

Housing Characteristics

Median home values in North and Southwest are significantly lower than the citywide median, while median home values in Southeast are higher than the city and region. Given the very low household incomes in North, it also has a very high proportion of renters (89 percent of all households). The proportion of owners and renters in Southeast and Southwest are comparable to the city. The housing stock in terms of units per structure in Southeast is quite diverse with a healthy mix of single-family homes and varying sizes of multi-family structures. North primarily consists of
medium and higher density multi-family housing, while Southwest consists of single-family homes and lower-density multi-family.

Vacancy is an issue across all three subareas with rates higher than the city. Though high vacancy is a sign of weak market characteristics, the high vacancy rate also provides an opportunity for reinvestment that avoids displacement of existing residents. Based on American Community Survey and ESRI estimates, there are around 500 vacant units in North, 100 vacant units in Southwest, and 350 vacant units in Southeast for a total of 950 units. Across the entire Walnut Hills neighborhood that includes portions west of Interstate 71, there are approximately 1,200 vacant units, of which, approximately 450 are offline (likely abandoned or uninhabitable).

<table>
<thead>
<tr>
<th></th>
<th>North</th>
<th>Southwest</th>
<th>Southeast</th>
<th>Cincinnati</th>
<th>MSA</th>
</tr>
</thead>
<tbody>
<tr>
<td>Median Home Value</td>
<td>$79,000</td>
<td>$73,000</td>
<td>$183,000</td>
<td>$136,000</td>
<td>$170,000</td>
</tr>
<tr>
<td>% Renter</td>
<td>89%</td>
<td>65%</td>
<td>68%</td>
<td>64%</td>
<td>35%</td>
</tr>
<tr>
<td>Total Housing Units</td>
<td>1,836</td>
<td>307</td>
<td>1,590</td>
<td>163,175</td>
<td>929,755</td>
</tr>
<tr>
<td>Single Family</td>
<td>55%</td>
<td>53%</td>
<td>29%</td>
<td>43%</td>
<td>68%</td>
</tr>
<tr>
<td>Smaller Multi-Family (2-9 units)</td>
<td>44%</td>
<td>54%</td>
<td>37%</td>
<td>31%</td>
<td>15%</td>
</tr>
<tr>
<td>Large Multi-Family (10+ units)</td>
<td>40%</td>
<td>0%</td>
<td>33%</td>
<td>26%</td>
<td>12%</td>
</tr>
<tr>
<td>% Vacant</td>
<td>27%</td>
<td>32%</td>
<td>22%</td>
<td>16%</td>
<td>9%</td>
</tr>
<tr>
<td>Vacant Units</td>
<td>500</td>
<td>100</td>
<td>350</td>
<td>26,110</td>
<td>26,470</td>
</tr>
</tbody>
</table>

Source: ESRI
Housing Values

For owner-occupied housing, there is a stark contrast in values between North, Southwest, and Southeast—more than two-thirds of owner-occupied housing in North (67 percent) and Southwest (76 percent) have median values below $100,000. Though this indicates some level of affordability for lower-income households, many of these structures have deferred maintenance issues that existing owners cannot afford to repair, or given the limited marketability in some areas of the neighborhood, there is little incentive for rehabilitation. Southeast, on the other hand, has a much more abundant stock of middle-income housing with half of its owner-occupied units valued between $150,000 and $300,000.
Housing Affordability

The American Community Survey provides data that indicates how much people pay for housing, both owner-occupied and rental. The following charts show the distribution of housing affordability for renters and homeowners by each subarea. The for-sale affordability chart assumes a mortgage with a 5.5 percent interest rate over a 30-year period with a 10 percent down payment in addition to 25 percent on top of the monthly mortgage payment for taxes, insurance, maintenance, and utilities. The rental chart assumes all-inclusive monthly payments for rent and utilities.

Between the three subareas, almost half of the renter households can only afford units for less than $500 per month indicating that many of these units are either subsidized or substandard. The North subarea has the highest demand for these units; however, despite its relative prosperity, Southeast also has a large number of lower income households. Between the three subareas, of renter households that can afford rents of $1,000 or more, almost 72 percent are located in the Southeast subarea.
Excluding very low-income households from the for-sale market analysis (those with a household income of less than $15,000 annually), the Southeast subarea has the largest proportion of owner-occupied units across a wide range of affordability levels. Given the relatively strong socio-economic conditions in this subarea, the majority of households can afford units between $240,000 and $310,000. Given the lower median household incomes and low homeownership rates in the North and Southwest subareas, very few households can own homes at any price.
Target market analysis is used to determine demand based not only on geography and demographic traits, but also on consumer preferences. As a result, desired product types can be determined, in addition to affordability. This is particularly useful with respect to Walnut Hills and adjacent neighborhoods, where a diverse group of market segments could be appealed to with an array of housing products.

Just as market segmentation and target marketing are used to determine tendencies to buy different types of consumer products—including products as diverse as cars, computers, and dish soap—Development Strategies analyzes market segmentation data to identify demand for different types of housing products at a particular location. Market segmentation analysis provides a clearer understanding of how many households might be attracted to a project (or community), who those households will consist of, and where they will come from. Ultimately, this guides the type, pricing, and market position of housing product to be offered at a given site.

The methodology makes use of ESRI’s Community TapestryTM data, which uses algorithms to link demographic, geographic, and psychographic data to create 65 unique geodemographic segments. In other words, these “segments” are essentially 65 household groupings, each with their own unique combination of demographic (income, age, etc.), geographic, and psychographic (values, culture, etc.) characteristics.

Unlike conventional demand methodologies, which focus on absorption of nearby projects or subdivisions—and demographic data such as age and income within a market area—target market analysis allows us to focus on geographic preferences, and attitudes and cultural norms. This is particularly useful when no nearby comparable properties exist, a number of housing products are being pondered, or a large percentage of the market may come from well beyond traditional market boundaries. Our target market analysis enables us to find potential homebuyers and renters for Walnut Hills that are living throughout the greater Cincinnati region.
Who is living in Walnut Hills?

### TOP TAPESTRY SEGMENTS

<table>
<thead>
<tr>
<th>Segment</th>
<th>Walnut Hills Households</th>
<th>Cincinnati Households</th>
</tr>
</thead>
<tbody>
<tr>
<td>City Commons</td>
<td>1,200</td>
<td></td>
</tr>
<tr>
<td>Social Security Set</td>
<td>1,100</td>
<td></td>
</tr>
<tr>
<td>Set to Impress</td>
<td>600</td>
<td></td>
</tr>
<tr>
<td>Emerald City</td>
<td>400</td>
<td></td>
</tr>
<tr>
<td>Metro Renters</td>
<td>300</td>
<td></td>
</tr>
</tbody>
</table>

Source: Esri 2015
When considering the types of households living throughout the broader Walnut Hills neighborhood, the tapestry groups are quite diverse with a mix of higher-income, urban professionals and lower-income households. There is an opportunity to reposition the neighborhood to attract more young professionals; however, given construction costs of new market rate housing product, there would be affordability issues with a large segment of the existing community. This further demonstrates the need for a comprehensive strategy that strives to maintain a balance of housing options that addresses the preferences and affordability levels of each of these groups.

**City Commons:** This group consists of younger, predominately minority households, many of which include single-parents, living in older, inner-city neighborhoods. Average household sizes are larger than average (2.66) requiring larger living spaces. Household incomes are generally lower than city-wide averages given the higher than average unemployment rates (24 percent nationwide) and lower levels of educational attainment. This group is typically just above the poverty line making households ineligible for many forms of public assistance. [Med. HH income: $17,000]

**Social Security Set:** This group generally consists of households aged 65 and older living on fixed-incomes, primarily Social Security. Some households are approaching retirement age or are forced into early retirement due to limited employment opportunities and/or lack of contemporary job skills. This group typically prefers higher-density multi-family housing in urban areas with easy access to public transportation, healthcare providers, and retail. [Med. HH income: $16,000]

**Set to Impress:** This group consists of younger renter households working in food service or office administrative positions, but with higher educational levels and earning potential. This group
typically prefers urban neighborhoods given the access to multi-modal transportation options, retail, and nightlife, but given the relatively lower wages, housing preferences are mostly influenced by affordability. [Med. HH income: $29,000]

**Emerald City/Metro Renters:** These groups are the two primary young urban professional groups in Cincinnati. Households in these groups tend to be highly educated and highly mobile and place stronger housing preferences on neighborhood characteristics, amenities, and accessibility. Metro Renters are typically drawn to high-density, urban environments and generally focus on lifestyle and mobility than homeownership and domestic life, hence they rent in large numbers (79 percent renters on average). The Emerald City group is also highly educated and mobile, but slightly older than the Metro Renter group and is drawn to homeownership opportunities in medium-density urban neighborhoods, especially single-family homes in historic neighborhoods. [Med. HH income: $52,000]

### PRIMARY MARKET SEGMENTS – IMPLIED HOUSING DEMAND

**Walnut Hills**

<table>
<thead>
<tr>
<th>TAPESTRY GROUP/SEGMENT</th>
<th>TOTAL HOUSEHOLDS</th>
<th>IMPLIED OWNER HOUSEHOLDS</th>
<th>IMPLIED AVERAGE PRICE</th>
<th>RENTER HOUSEHOLDS</th>
<th>AVERAGE RENT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Top Segments</td>
<td>3,467</td>
<td>840</td>
<td>$114,800</td>
<td>2,627</td>
<td>$677</td>
</tr>
<tr>
<td>City Commons</td>
<td>1,150</td>
<td>276</td>
<td>$70,000</td>
<td>874</td>
<td>$500</td>
</tr>
<tr>
<td>Social Security Set</td>
<td>1,074</td>
<td>150</td>
<td>$60,000</td>
<td>924</td>
<td>$500</td>
</tr>
<tr>
<td>Set to Impress</td>
<td>561</td>
<td>163</td>
<td>$110,000</td>
<td>398</td>
<td>$800</td>
</tr>
<tr>
<td>Emerald City</td>
<td>395</td>
<td>193</td>
<td>$200,000</td>
<td>201</td>
<td>$1,300</td>
</tr>
<tr>
<td>Metro Renters</td>
<td>288</td>
<td>58</td>
<td>$200,000</td>
<td>230</td>
<td>$1,300</td>
</tr>
</tbody>
</table>

Source: ESRI Business Analyst 2015. Data presented are national figures.
Future market rate housing demand in Walnut Hills will be driven by these three market segments given their preferences for urban neighborhoods like Walnut Hills, but also given their higher-than-average incomes, most can afford new market rate construction. Understanding where each of these representative tapestry groups live in the region can lend some insight as to which neighborhoods are “competitive” with Walnut Hills. The Metro Renter, Emerald City, and Set to Impress groups are found in higher numbers in the areas generally encompassed by the neighborhoods of Northside, Clifton, Over-The-Rhine, Woodburn/East Walnut Hills, Hyde Park/Oakley Square, Covington and Newport. Though not completely conforming to official neighborhood district boundaries, these competitive neighborhood study areas were established to show how Walnut Hills currently “ranks” on a number of socio-economic and housing indicators.
Future Housing Demand: Neighborhood Context

All of the competitive neighborhoods lost population from 2000 to 2010, but Over-The-Rhine and Northside are now two of the fastest growing neighborhoods in the region. Over-The-Rhine is the most similar to Walnut Hills in terms of socio-economic profile, since despite all of the new growth and investment, median household income is still less than half of the city median; however, given the increasing number of higher-income households moving to the area, the median should continue to increase over time. The strong demographics in the Southeast subarea does make Walnut Hills as a whole similar to Over-The-Rhine and Northside in terms of households with at least a bachelor’s degree; however, it needs to reduce its unemployment rate and proportion of households without a high school diploma, while increasing household income to be more competitive with these “aspirational” neighborhoods.

<table>
<thead>
<tr>
<th>Neighborhood</th>
<th>Population Change 2010-2015</th>
<th>Population Change 2000-2010</th>
<th>Median HH Income</th>
<th>No HS Degree</th>
<th>With Bachelor’s Degree</th>
<th>Unemployment Rate</th>
<th>Average HH Size</th>
<th>HHs with Children</th>
<th>HHs with Vehicle</th>
</tr>
</thead>
<tbody>
<tr>
<td>Walnut Hills</td>
<td>0%</td>
<td>-1%</td>
<td>$17,600</td>
<td>22%</td>
<td>25%</td>
<td>10%</td>
<td>1.8</td>
<td>21%</td>
<td>58%</td>
</tr>
<tr>
<td>OTR</td>
<td>5%</td>
<td>-9%</td>
<td>$14,200</td>
<td>20%</td>
<td>25%</td>
<td>9%</td>
<td>1.9</td>
<td>23%</td>
<td>53%</td>
</tr>
<tr>
<td>Northside</td>
<td>4%</td>
<td>-20%</td>
<td>$34,700</td>
<td>14%</td>
<td>32%</td>
<td>6%</td>
<td>2.1</td>
<td>21%</td>
<td>86%</td>
</tr>
<tr>
<td>East Walnut Hills</td>
<td>3%</td>
<td>-15%</td>
<td>$29,800</td>
<td>10%</td>
<td>43%</td>
<td>7%</td>
<td>2.0</td>
<td>20%</td>
<td>80%</td>
</tr>
<tr>
<td>Hyde Park/Oakley</td>
<td>2%</td>
<td>-6%</td>
<td>$58,200</td>
<td>8%</td>
<td>68%</td>
<td>2%</td>
<td>1.8</td>
<td>13%</td>
<td>91%</td>
</tr>
<tr>
<td>Covington</td>
<td>1%</td>
<td>-8%</td>
<td>$28,800</td>
<td>19%</td>
<td>23%</td>
<td>3%</td>
<td>1.7</td>
<td>12%</td>
<td>73%</td>
</tr>
<tr>
<td>Newport</td>
<td>0%</td>
<td>-10%</td>
<td>$35,700</td>
<td>25%</td>
<td>20%</td>
<td>6%</td>
<td>2.3</td>
<td>28%</td>
<td>73%</td>
</tr>
<tr>
<td>Clifton</td>
<td>0%</td>
<td>-4%</td>
<td>$32,300</td>
<td>4%</td>
<td>64%</td>
<td>2%</td>
<td>1.9</td>
<td>14%</td>
<td>82%</td>
</tr>
<tr>
<td>Cincinnati</td>
<td>1%</td>
<td>-10%</td>
<td>$33,000</td>
<td>27%</td>
<td>31%</td>
<td>5%</td>
<td>2.1</td>
<td>25%</td>
<td>78%</td>
</tr>
</tbody>
</table>
Existing Housing Supply/Typologies

Housing Market

Based on neighborhood boundaries defined by Zillow, the housing stock in Walnut Hills valued higher than the city average ($111,000) and in the range of Mt. Washington ($136,800) and North Avondale ($149,300).

The housing market in Walnut Hill is strong with tremendous upside based on recent increases in housing values. Housing values across city and region decreased significantly during the Great Recession, but values have bounced back considerably. Since 2010, housing values in Walnut Hills have increased by 19 percent, outpacing the city (7 percent) and region (10 percent) during this time period. A more telling sign of the trajectory of the neighborhood is in the increase in housing values since 2015—Walnut Hills had the third highest increase in housing values (9 percent) compared to all other neighborhoods in the region behind Over-The-Rhine (13 percent) and CUF (11 percent). This increase far outpaced the city (3 percent) and region (4 percent).
Housing Characteristics in Competitive Neighborhoods

With the exception of Over-The-Rhine and Hyde Park/Oakley Square, recent sales of new construction recently rehabbed, or properties in good condition are within a similar range in each of the competitive neighborhoods of around $100 to $150 per square foot. There are generally more options in the $75 to $100 per square foot range in Newport and Covington, although newer or recently rehabbed housing is closer to $150 per square foot. Recent sales in Walnut Hills range from $100 to $150 per square foot, although most of these sales are in the Southeast subarea. This makes Walnut Hills, or at least the Southeast subarea, comparable to many of the other competitive neighborhoods. The most notable difference is the increase in housing units from 2010 to 2015, which is a good indicator of new investment activity. During this time period, Walnut Hills only experienced a less than one percent increase in housing units, while Over-The-Rhine (5.2 percent), Northside (3.0 percent), Covington (3.9 percent), and Newport (3.0 percent) all had increases above the national average (1.3 percent). Despite its overall attractiveness, Clifton only experienced a negligible increase, although much of this can be attributed to the lack of vacant and developable land.

On the rental side, only Over-The-Rhine is commanding rents above $1.50 per square foot. Not including recently developed or rehabbed apartment properties, rents for most smaller-scale apartments and rental homes range between $1.00 and $1.30 per square foot in the competitive neighborhoods. Walnut Hills offers relatively more affordable rental options with some units ranging from $0.85 to $1.00 per square foot.
Walnut Hills Reinvestment Plan
Phase I Market Analysis

With the exception of Clifton and Hyde Park/Oakley Square, vacancy in the other competitive neighborhoods is higher than the citywide average of 17 percent. Though a portion of this housing is likely substandard and/or obsolete, it also indicates that there is still plenty of room to growth in competing neighborhoods like Northside or East Walnut Hills limiting in the imminent appeal of Walnut Hills.
For-Sale Housing

Over the last few years, newly renovated for-sale housing in Walnut Hills (Southeast) has sold for between $140 and $160 per square foot, which is generally competitive with newly constructed housing in nearby neighborhoods. Over-The-Rhine commands the highest sales prices per square foot in the region for newly constructed townhome-style housing at or above $265 per square foot. Units in Hickory Place Townhomes have sold for less than $150 per square foot, while the townhomes on Sycamore Street and Herrick Avenue with more attractive locations have sold for (or are valued at) above $150 up to $180 per square foot.

Depending on the location in Walnut Hills, sales prices between $125 and $160 per square foot are achievable and housing closer to Eden Park tends to achieve higher price premiums. Housing located closer to East McMillan could achieve prices closer to $130 per square foot. However, since units at Hickory Place Townhomes, which are better positioned in a more evolved neighborhood, have recently sold for $125 to $135 per square foot, any similar product in Walnut Hills would have to have a more attractive design or level of finish to compensate for weaker neighborhood characteristics.
Rental Housing

Outside of Over-The-Rhine, there has been relatively little new construction or substantial renovations of larger-scale rental properties in Cincinnati for a number of years. Gantry in Northside is the newest professionally managed apartment property of its size in the city. The first phase opened in late 2015 with future phases to be completed by Summer 2016. Studio units are leasing at around $1.75 per square foot, one-bedrooms around $1.50 per square foot, and two-bedroom units around $1.45 per square foot. The Boulevard at Oakley Station and Madmar Flats are both located in a well-established, high-demand neighborhood and are achieving average rents of $1.25 to $1.50 and $1.50 to $1.70, respectively. The units are larger, on-average, than Gantry.

Trevarren Flats, a substantially rehabilitated mixed-use apartment property, is the first market rate apartment property to be developed in Walnut Hills for decades. Residential rents range from $1.12 to $1.44 per square foot, which is reasonable considering DeSales Flats, built in 2009 and located adjacent to the now burgeoning DeSales Corner retail district, has asking rents between $1.35 to $1.55 per square foot. These two properties are the barometer for achievable rents in Walnut Hills—generally, new rental housing would be positioned with rents slightly above Treverran Flats, but below DeSales Flats depending on the level of finish and amenities.
Affordable Housing

According to the U.S. Department of Housing and Urban Development (HUD), Cincinnati Metropolitan Housing Authority, and Ohio Housing Finance Agency, there are around 1,100 subsidized housing units in Walnut Hills across 15 properties. More than 1,000 of these units are deeply subsidized (Section 8 or Public Housing) with no minimum income restrictions. This represents just under 24 percent of total housing units [1,103 / 4,628] in Walnut Hills. However, considering over 24 percent of the total housing units are vacant, and assuming the subsidized properties are at least 97 percent occupied, over 30 percent of occupied housing units in Walnut Hills are subsidized [1,070 of 3,462 occupied units]. About 27 percent of these occupied subsidized units are age-restricted.

Subsidized Housing Stock, Walnut Hills

<table>
<thead>
<tr>
<th>Name</th>
<th>Address</th>
<th>Program</th>
<th># of Units</th>
<th>Type</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kenton Street Elderly Project</td>
<td>719 Wayne Street</td>
<td>LIHTC</td>
<td>19</td>
<td>Senior</td>
</tr>
<tr>
<td>Alexandra Apartments</td>
<td>921 William Howard Taft Rd</td>
<td>LIHTC</td>
<td>83</td>
<td>Senior</td>
</tr>
<tr>
<td>The Park Eden</td>
<td>2610 Park Avenue</td>
<td>Public Housing</td>
<td>177</td>
<td>Senior</td>
</tr>
<tr>
<td>Setty Kuhn</td>
<td>3056 Mathers Street</td>
<td>Public Housing</td>
<td>64</td>
<td>Family</td>
</tr>
<tr>
<td>Washington Terrace</td>
<td>Washington Terrace</td>
<td>Public Housing</td>
<td>17</td>
<td>Family</td>
</tr>
<tr>
<td>Fulton Chateau</td>
<td>2212 Fulton Avenue</td>
<td>Section 8</td>
<td>26</td>
<td>Family</td>
</tr>
<tr>
<td>Scattered Sites</td>
<td>2346 Boone Street</td>
<td>Section 8</td>
<td>23</td>
<td>Family</td>
</tr>
<tr>
<td>Kemper Arms</td>
<td>2329 Kemper Lane</td>
<td>Section 8</td>
<td>17</td>
<td>Family</td>
</tr>
<tr>
<td>Advent III</td>
<td>2363 Kemper Lane</td>
<td>Section 8</td>
<td>36</td>
<td>Family</td>
</tr>
<tr>
<td>Kemper Lane</td>
<td>2500 Kemper Lane</td>
<td>Section 8</td>
<td>105</td>
<td>Family</td>
</tr>
<tr>
<td>Alms Hills Apartments</td>
<td>525 Victory Pkwy</td>
<td>Section 8</td>
<td>200</td>
<td>Family</td>
</tr>
<tr>
<td>Navarre Garrone</td>
<td>2657 Gilbert Ave</td>
<td>Section 8</td>
<td>62</td>
<td>Family</td>
</tr>
<tr>
<td>Walnut Hill Estates</td>
<td>2852 Stanton Avenue</td>
<td>Section 8</td>
<td>33</td>
<td>Family</td>
</tr>
<tr>
<td>Walnut Hills Senior</td>
<td>861 Beecher St</td>
<td>Section 8</td>
<td>199</td>
<td>Senior</td>
</tr>
<tr>
<td>Kerper Apartments</td>
<td>3066 Melbourne Terrace</td>
<td>Section 8</td>
<td>42</td>
<td>Family</td>
</tr>
</tbody>
</table>
Evolution of Revitalizing Neighborhoods

Based on research by John H. Haake, there are four phases in the evolution of revitalizing neighborhoods: Formative, Emerging, Flourishing, and Maturing.

**Formative Stage:** Housing prices are rising, but are still much lower than the countywide average. Some urban pioneers move in, but poverty levels remain relatively high. There is no guarantee that additional investment will occur.

**Emerging Stage:** Neighborhoods exhibit rapid increases in property values, but these values still fall below county levels. Housing renovation and new construction are evident, and the poverty level begins to decrease.

**Flourishing Stage:** Housing values rise above county figures and the poverty level continues to decline. Income levels of residents exceed county levels. The quality and upkeep of housing exhibits substantial improvement, and the neighborhood is viewed as safe.

**Maturing Stage:** Property values are substantially higher than those in the county, as are incomes. The percentage of residents in poverty is only slightly higher than the county average.

Using these guidelines, demographic data from ESRI, especially data that pertains to housing values and population change, recent sales from Zillow, and on-the-ground research and analysis, DS evaluated the stages of revitalization in and around Walnut Hills.

The Southeast subarea of Walnut Hills is now in the *Formative/Emerging* stage with recent sales between $125,000 and $350,000 across a wide-range of quality, size, and housing type. The other areas of Walnut Hills have not reached the *Formative* stage yet and have limited market potential with recent sales generally below $100,000, some of which below $50,000. The Avondale/North Avondale neighborhoods to the northwest have also had limited market activity over the last few years.

However, despite weak market conditions in the North and Southwest subareas, Walnut Hills is generally surrounded by neighborhoods that are at positive phases of redevelopment and revitalization. Walnut Hills is also flanked by Corryville to the west and East Walnut Hills/Woodburn to the east, which are in the *Formative/Emerging* phase, similar to the Southeast subarea. The areas that generally encompass the Evanston neighborhood are in the *Formative* stage given the very wide range of recent sales, some below $50,000, while others are closer to $250,000, well-above the median housing value indicating percolating demand and reinvestment activity. The areas that generally comprise of the Mt. Adams and Hyde Park neighborhoods are fully evolved neighborhoods in the *Maturing* stage with sales well-above $300,000, and in most cases, sales above $500,000 making them two of the most expensive neighborhoods in the region.
## Walnut Hills Reinvestment Plan
### Phase I Market Analysis

![Map of Walnut Hills with market analysis zones]

<table>
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**Legend:**
- **FORMATIVE**: Early stages of development.
- **EMERGING**: Transitioning from formative to mature.
- **MATURING**: Near completion with some challenges.
- **MATURE**: Established and stable.
- **MOURNING**: Decline or stagnation.

- **Income**: $10K-$150K per household.
- **Housing**: $70K-$350K per household.
- **Population 19-35**: -0.1% growth.
- **Sales**: <500K-$100K per year.

**Notes:**
- Market analysis indicates significant growth potential in the formative zones.
- Further investment in infrastructure could enhance the maturing zones.
- Resistance to change observed in mourning zones.
Retail Demand

Retail Analysis

The retail market in Walnut Hills anchored at Peebles Corner can be made to serve a number of distinct customer profiles: 1) existing residents of the Walnut Hills neighborhood that span a wide range of income levels, 2) new residents moving to the neighborhood, 3) commuter market who currently drive through or take public transportation in the neighborhood, and 4) lunch and dinner crowd from nearby employment centers. Based on consumer preferences and market demand, these are very distinct groups with unique needs—residents support retail serving their daily needs such as grocery stores, dry cleaners, pharmacies, and apparel, while commuters, daily workforce and visitors tend to support destination retail such as bars, restaurants, cafes, galleries, and boutique stores.

Retail Market Area

In order to study the market potential and household demand for retail uses in Walnut Hills, a retail market area was established. The retail environment should be positioned to satisfy demand from local residents, but also attractive enough for drawing residents from nearby communities. Rockwood Commons to the northeast has a significant pull and satisfies retail demand for most households living in Hyde Park and Oakley Square; however, if the retail environment in Walnut Hills was more attractive, it could likely satisfy more demand for residents in Evanston East Walnut Hills and Woodburn. To the southwest, Mt. Adams has one of the highest concentrations of higher-income households in the region. Also, an enhanced retail environment in Walnut Hills could also attract these households given its proximity and convenience.

Demand Gap Analysis

Based on estimates of total annual expenditures by retail type, market area residents spend the most at General Merchandise Stores, Grocery Stores, Pharmacies, and Gasoline Stations. In fact, just under 60 percent of total retail spending is in these four categories.
Walnut Hills Reinvestment Plan
Phase I Market Analysis

### TOTAL ANNUAL RESIDENTIAL RETAIL SPENDING
Walnut Hills Retail Market Area
ESRI, Development Strategies, 2015

<table>
<thead>
<tr>
<th>Category</th>
<th>Annual Spending</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Merchandise Stores</td>
<td>$40,860,000</td>
</tr>
<tr>
<td>Grocery Store</td>
<td>$37,980,000</td>
</tr>
<tr>
<td>Pharmacies and Drug Stores</td>
<td>$15,750,000</td>
</tr>
<tr>
<td>Gasoline Stations</td>
<td>$15,540,000</td>
</tr>
<tr>
<td>Electronics and Appliance Stores</td>
<td>$12,050,000</td>
</tr>
<tr>
<td>Full-Service Restaurants</td>
<td>$11,360,000</td>
</tr>
<tr>
<td>Limited-Service Eating Places</td>
<td>$10,180,000</td>
</tr>
<tr>
<td>Clothing and Clothing Accessories Stores</td>
<td>$10,160,000</td>
</tr>
<tr>
<td>Miscellaneous Store Retailers</td>
<td>$10,040,000</td>
</tr>
<tr>
<td>Building Material, Garden Equip Stores</td>
<td>$8,860,000</td>
</tr>
<tr>
<td>Furniture and Home Furnishings Stores</td>
<td>$5,680,000</td>
</tr>
<tr>
<td>Sporting Goods, Hobby, Books, Music</td>
<td>$5,370,000</td>
</tr>
<tr>
<td>Automotive Parts/Accsrs, Tire Stores</td>
<td>$3,600,000</td>
</tr>
<tr>
<td>Specialty Food and Liquor Stores</td>
<td>$3,220,000</td>
</tr>
<tr>
<td>Drinking Places - Alcoholic Beverages</td>
<td>$810,000</td>
</tr>
</tbody>
</table>

### TOTAL SQUARE FOOTAGE SUPPORTED BY RESIDENTIAL RETAIL SPENDING
Walnut Hills Retail Market Area
ESRI, Development Strategies, 2015

<table>
<thead>
<tr>
<th>Category</th>
<th>Square Footage</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Merchandise Stores</td>
<td>136,000</td>
</tr>
<tr>
<td>Grocery Store</td>
<td>109,000</td>
</tr>
<tr>
<td>Pharmacies and Drug Stores</td>
<td>24,000</td>
</tr>
<tr>
<td>Gasoline Stations</td>
<td>12,000</td>
</tr>
<tr>
<td>Electronics and Appliance Stores</td>
<td>30,000</td>
</tr>
<tr>
<td>Full-Service Restaurants</td>
<td>32,000</td>
</tr>
<tr>
<td>Limited-Service Eating Places</td>
<td>25,000</td>
</tr>
<tr>
<td>Clothing and Clothing Accessories Stores</td>
<td>29,000</td>
</tr>
<tr>
<td>Miscellaneous Store Retailers</td>
<td>50,000</td>
</tr>
<tr>
<td>Building Material, Garden Equip Stores</td>
<td>29,000</td>
</tr>
<tr>
<td>Furniture and Home Furnishings Stores</td>
<td>16,000</td>
</tr>
<tr>
<td>Sporting Goods, Hobby, Books, Music</td>
<td>21,000</td>
</tr>
<tr>
<td>Automotive Parts/Accsrs, Tire Stores</td>
<td>18,000</td>
</tr>
<tr>
<td>Specialty Food and Liquor Stores</td>
<td>11,000</td>
</tr>
<tr>
<td>Drinking Places - Alcoholic Beverages</td>
<td>2,000</td>
</tr>
</tbody>
</table>
Walnut Hills Reinvestment Plan
Phase I Market Analysis

When incorporating the estimated retail sales by area businesses, typical store size, and typical sales per square foot by retail type, there is a significant undersupply of retail space for General Merchandise Stores as well as an undersupply of Miscellaneous Store Retailers, Building Material/Garden Equipment Stores, Sporting Goods/Hobby/Book/Music Stores, Clothing and Clothing Accessories Stores, Pharmacies and Drug Stores, Furniture and Home Furnishings Stores, Automotive Parts Stores, and Electronics and Appliance Stores. In other words, the study area is experiencing leakage in these retail categories and residents must seek out these needs in other parts of the city or region. Many residents in Walnut Hills and neighborhoods to the east and northeast likely shop at Rockwood Commons and Pavilion and Hyde Park Plaza for most daily needs.

According to analysis, the retail market area has an oversupply of Full-Service Restaurants, Drinking Places, and Limited-Service Eating Places. This does not necessarily mean that there are too many bars and restaurants in the area—it means that local residents alone cannot sustain them and the area must continue to attract visitors or new residents to support/expand these uses.

Gap/Surplus for Residential Retail Demand

![Graph showing the gap/surplus for residential retail demand](source: UNI/Local and Counts, BusStats, Development Strategies, 2016)
Market Preferences

Consumer preference data for retail market area residents shows the diversity of households and types of retail that they would support. With an index of 1.0 indicating the national average for a particular preference, residents in the retail market area have a stronger-than-average preference for organic foods, but at the same, a stronger-than-average preference for fast food. This further supports the need to create a retail environment that is diverse and can satisfy the needs of a wide-variety of households. The strong preference for organic food opens the opportunity for a local health food store, green grocery or new vision for the existing Kroger site. At the same time, given the number of low-income households with limited disposable income, there is still a need for affordable fast food options in the neighborhood. The strong preference for jewelry/accessories, also provides an opportunity for boutique stores, although depending on the targeted clientele, some of these retailers would be more appropriate for DeSales Corner. The very low market preference for home improvements and pet stores is somewhat attributed to the higher proportion of renters in the market area since these types of stores tend to be favored by homeowners.
Future Residential Retail Demand

In addition to capturing more of the retail demand from existing residents, opportunities for new retail activity in Walnut Hills is also dependent on the number and types of new households moving to the neighborhood. Based on the households currently living in the Walnut Hill retail study area, every 100 households can support an estimated 8,200 square feet of retail space (not accounting for leakage). Therefore, attracting new residents can have an impact on retail supply, but also, income and consumer preferences have a direct impact on the types and amount of retail that Walnut Hills should provide. Though there are more combined households living in the North and Southwest study areas, households living in the Southeast subarea can support more than twice the amount of retail given their higher median incomes.

<table>
<thead>
<tr>
<th></th>
<th>Annual Retail Demand</th>
<th>Total Households</th>
<th>Demand per Household</th>
<th>Sq. Fl. of Retail Supported per 100 Households*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Retail Study Area</td>
<td>$239,400,000</td>
<td>8,328</td>
<td>$28,700</td>
<td>8,200</td>
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<tr>
<td>Southwest</td>
<td>$39,100,000</td>
<td>1,233</td>
<td>$31,700</td>
<td>9,100</td>
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<tr>
<td>Southwest</td>
<td>$2,700,000</td>
<td>208</td>
<td>$13,700</td>
<td>5,100</td>
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<tr>
<td>North</td>
<td>$16,000,000</td>
<td>1,344</td>
<td>$11,900</td>
<td>3,460</td>
</tr>
<tr>
<td>Remaining Areas</td>
<td>$180,600,000</td>
<td>5,543</td>
<td>$32,000</td>
<td>9,300</td>
</tr>
</tbody>
</table>

* Assumes an average of $350 in annual sales per square foot of retail space.
Demand from Employment Concentrations

There are just under 10,000 workers (part- and full-time) in Walnut Hills and an additional 24,000 workers when considering the areas within a roughly five-minute drive of Peebles’ Corner, which include the neighborhoods immediately east of Walnut Hills, Mt. Adams, Hospital district and Corryville. Assuming each worker spends an average of $20 per week on lunch, coffee, snacks, and other daily needs, this generates over $35 million in retail spending annually [$20 per week * 52 weeks * 34,000 daily workers]. Assuming an average of $350 in annual sales per square foot, this spending supports approximately 100,000 square feet of retail. Though there is competitive retail in Corryville and around the hospitals, given the easy access to Peebles’ Corner, an improved retail environment in the district could capture a large portion of this spending. Assuming a 25 percent capture, that would support 25,000 square feet from the daily worker crowd alone.
Retail Supply

Recent listings show that competitive retail spaces in and around Walnut Hills are leasing for between $15.50 and $19.00 per square foot. Considering the excellent visibility and foot traffic in many parts of Over-The-Rhine and stronger buying power by households in Hyde Park, lease rates in Walnut Hills should be priced competitively in order to attract retailers given the weaker market conditions. Recent listings for Trevarren Flats’ street-level retail space show an initial lease rate of $12 per square, which is appropriate.
Walnut Hills Reinvestment Plan
Phase I Market Analysis

**Office Demand**

Based on job growth projections in the Cincinnati MSA and the industry averages on the square footage of real estate per employee by occupation category, the region will have an estimated net increase in demand for 1.4 million square feet of office space over the next 10 years. Of this demand, 708,000 square feet will be from conventional office tenants, 653,000 square feet from medical office tenants, and around 45,000 square feet for civic/government uses.

Though Downtown only accounts for around 31 percent of total Class A office space in the region with 7.8 million square feet, it captured over 50 percent of the region’s net absorption of Class A space in 2015. At the end of 2015, vacancy in Class A space in the areas surrounding Downtown (“CBD Periphery”), which includes the southern portion of Walnut Hills, had a net loss of 33,000 square feet. Midtown, with 1.9 million square feet of Class A space had a year-to-date absorption of 136,000 square feet.

With total regional vacancy of Class A office space at around 15 percent, a large portion of this added office demand could be absorbed by the 3.8 million square feet of available space, which limits demand for larger-scale office construction.

The new MLK interchange does open development potential for new office development in the areas to the north given the visibility from Interstate 71 and improved vehicular accessibility. There are examples of successful “suburban style” office developments in urban areas, including Balwin Center just west of Eden Park; however, given the relatively soft office market and large supply of available Class A space throughout the region, including Downtown and Midtown, market opportunities for larger-scale office development in Walnut Hills are limited.

**Office demand by job growth projections**

![Projected 10 Year Office Demand by Occupation Category](image_url)
### Walnut Hills Reinvestment Plan

#### Phase I Market Analysis

<table>
<thead>
<tr>
<th></th>
<th>DOWNTOWN</th>
<th>CBD Periphery/Midtown</th>
<th>Rest of Region</th>
</tr>
</thead>
<tbody>
<tr>
<td>Class A Vacancy</td>
<td>13%</td>
<td>17%</td>
<td>16%</td>
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<tr>
<td>Class A Space (s.f.)</td>
<td>7.8M</td>
<td>3.0M</td>
<td>14.0M</td>
</tr>
<tr>
<td>Total Vacancy</td>
<td>13%</td>
<td>17%</td>
<td>17%</td>
</tr>
<tr>
<td>Total Space (s.f.)</td>
<td>18.4M</td>
<td>8.8M</td>
<td>36.2M</td>
</tr>
</tbody>
</table>
Office Supply

Lease rates for competitive properties both Downtown and nearby suburban markets such as Norwood are generally between $15 to $16 per square foot. According to a 4th Quarter 2015 report from Colliers, average lease rates for Class A properties Downtown are closer to $23 per square foot. Average lease rates are around $21 per square foot in the periphery areas of Downtown and around $20 per square foot in Midtown, which includes the University of Cincinnati and Hospital district areas. Despite representing the two primary employment concentrations in the region, these three submarkets only account for 26 percent of the regional Class A office supply and 28 percent of total regional office supply.
Development Program
Walnut Hills
Reinvestment Plan

MARKET STRATEGY
July 25, 2016
Market Strategy

Introduction

A market strategy ensures that the right types of products will be delivered to the right market, thereby reducing risk to developers and the public sector while increasing the likelihood of a lasting, sustainable development. Without a sound market strategy, market analysis provides little more than a program—an amount of supply that could be delivered to a market to satisfy unmet demand. But not all housing, office, and retail developments consist solely of commodity products. By leveraging investments in place and the public realm, sound urban design and architecture, anchors to drive traffic, and coordination of complementary uses, a development, district, or community can be created that is greater than the sum of its parts. The market strategy, in itself, is not a plan, but rather a framework of elements that have informed the planning process and should be incorporated to best address the needs of the community.

As presented in the market analysis, Walnut Hills, after decades of disinvestment, is experiencing a Renaissance with increasing interest from new residents, developers, retailers, and other community stakeholders. Given the increasingly rapid pace of change and development, it is critical that certain strategic elements are incorporated in the Walnut Hills Reinvestment Plan that can maximize value creation of real estate, but also address the needs of the existing community. Given the divergent socio-economic characteristics throughout the community, the following strategy includes elements that address the diverse needs of all existing and new residents to Walnut Hills.

The following strategy includes place-based investment strategies based on the physical attributes and potential for catalytic economic development in certain sub-districts within Walnut Hills, but also an area-wide policy framework that addresses the housing and quality of life needs of existing residents.
Neighborhood Revitalization Framework Context

The evolution, marketability, and development potential of a mixed-use, urban neighborhood is contingent on a number of factors, from housing to retail to the overall attractiveness of the area. Demand for housing in a given neighborhood drives up housing values, and given limited supply, catalyzes new housing development. Urban neighborhoods with viable commercial retail corridors, like Gilbert Avenue and McMillan Street, can then support more retail with the increasing population and attractiveness of the neighborhood. As neighborhoods become more attractive, this drives further housing demand and the cycle continues. Interventions by the public sector or community can increase neighborhood attractiveness, which can include improving accessibility and transportation, recreational amenities, and expanding quality schools and educational options. As part of this Neighborhood Development System, other external forces influencing housing demand and values are regional economic development activities and job growth, while visitors/tourists in an area can also influence the retail environment.

This Neighborhood Development System as relates to Walnut Hills had been in disrepair after decades of disinvestment, population loss, and declining neighborhood conditions; however, given improving conditions many central neighborhoods throughout Cincinnati, and pioneering work by residents and community leaders, the Neighborhood Development System has become reactivated in recent years with increasing housing and retail demand. Given this increased demand, the private market has responded, although in some cases, the use of subsidy is still necessary. As the system continues to build momentum, less subsidy and intervention will be needed.
Walnut Hills Reinvestment Plan
Phase II Market Strategy

Preliminary Sub-District Strategies
Given the size of the study area, nine sub-districts were initially identified to evaluate the market opportunities and challenges. Through the planning process, Targeted Investment Areas were identified to have the most catalytic development potential (Peebles Corner, Lincoln Avenue, and Buena Vista), while the remaining areas require a more policy-driven community-based approach to improve housing conditions, quality of life, and promote upward economic mobility.

Far North: The challenges in this area are associated with the fragmentation and inaccessibility due to MLK Drive and new Interstate 71 interchange and declining housing stock. Future development and uses should leverage accessibility to arterial road networks.

Near North and Southwest: Similar challenges related to declining housing stock and weaker socio-economic conditions. Given the residential nature of these areas, the plan should incorporate broader policy-based neighborhood stabilization practices and incremental investment.

Lincoln: Similar housing and socio-economic challenges as Near North and Southwest, but given the mix of uses, number of larger vacant parcels, and access to Gilbert Avenue and MLK Drive, this area could be suitable for larger-scale, mixed-use development.

McMillan East and West: The primary street-level retail corridor in Walnut Hills and is appropriate for higher-density, mixed-used development and strategic retail tenanting.

Gilbert North: Given the successful commercial uses, including Thomson MacConnell Cadillac and Frisch’s Restaurants office as well as a number of community service providers, this area has less opportunity for new development, but planning elements should calm traffic and use more design elements to create more of a gateway to Peebles Corner.

Gilbert South: Given the size, scale, and availability of current and former industrial space, this area would be appropriate for creative uses, including co-working space, business incubator, maker space, and artist lofts.

Southeast: Though outside of the study area, this area is still a critical component to the future of Walnut Hills, especially as it relates to retail and housing demand given the relatively higher housing values and socio-economic profile of residents.
**Neighborhood Strategies**

**Introduction**

The Walnut Hills Reinvestment Plan has identified three targeted investment areas, Peebles Corner, Lincoln, and Buena Vista, which have the marketability and land capacity for larger-scale mixed-use development that can satisfy pent up demand for residential, retail, and other commercial uses. These areas also have the most visibility and potential for catalyzing additional development throughout Walnut Hills. Focusing limited reinvestment funds on the marketability and “curb appeal” of a few focused areas provide better return on investment than spreading dollars too thinly over the entire study area. Since the Near North and Southwest are primarily lower-density residential neighborhoods, a more holistic policy framework is necessary to improve housing conditions, but also address some of the root causes of economic deterioration.

The following neighborhood strategies represent longer-term approaches to addressing the housing and quality of life needs of local residents. Many of these strategies are more programmatic in nature and will require strong public-private partnerships to ensure that strategic and incremental investment continues to take place in the more underserved areas of Walnut Hills. Since market rate development and redevelopment is not feasible in some areas, public and philanthropic resources will be necessary to not only improve housing conditions, but ensure long-term affordability for lower-income residents.

1. **Affordable Housing Development**

There is not an “ideal” proportion of affordable/subsidized units serving an urban community like Walnut Hills. However, with approximately 24 percent of its housing units that are subsidized, most of which with project-based Section 8 subsidies reserved for very low-income households (earning at or below 30 percent of Area Median Income), Walnut Hills has more than its fair share. This very high proportion of deeply subsidized units has contributed to concentrations of poverty, which over the years has limited neighborhood marketability and positive social outcomes. At the same time, given that around half of existing residents in Walnut Hills can only afford rental units for less than $500 per month, this housing stock is still necessary to ensure that these households have an opportunity to remain in the community.

Moving forward, it is critical that Walnut Hills diversify its housing stock to accommodate a much broader range of household income levels. Identifying specific affordable housing goals is challenging, since development/redevelopment is dependent on the availability of funding (such as LIHTC, HOME, and other subsidies) or resources through housing organizations like Habitat for Humanity, but the neighborhood is in need of broadening the stock of “affordable housing” (households earning between 30 and 60 percent of AMI) and “workforce housing” (households earning between 60 and 120 percent of AMI). Existing residents with household income within these levels are the most at risk of being priced out of the neighborhood, and thus, the development of housing serving low- to moderate-income households is critical for maintaining economic diversity.
2. **Maintain Small Lot Zoning**

The street network and neighborhood character in the Southwest Quadrant provides an opportunity to maintain small lot zoning to facilitate “affordable by design” practices. Infill development of smaller-than-average single-family homes (detached and attached) can help maintain housing and economic diversity in Walnut Hills. Given the condition and quality of the housing in the Southwest Quadrant and vacant lots, there may be opportunities to leverage Low-Income Housing Tax Credits (LIHTC) or HOME funds for single-family scattered site development. There are also market rate solutions to develop more workforce housing that can be competitive on a price per square foot level, but still affordable to a moderate-income household.

3. **Multi-Family Infill Housing**

There are clusters of vacant and adjacent parcels in the Southwest and Northwest Quadrants that provide opportunities for land assemblage for smaller, multi-family infill housing. This type of housing can be seamlessly integrated in predominately single-family neighborhoods and can also provide housing diversity for the community. Though market rate development of this type of
housing is more likely to be concentrated in the Targeted Investment Areas in the near term, this type of housing can also leverage LIHTC or HOME funds, which may be more feasible for the Southwest and Northwest Quadrants in the near term.

4. **Tax Credit for Rehab**

In many cases, tax credits or other “gap financing” programs and funding are necessarily to increase the feasibility for the rehabilitation of existing structures. Given the abundance of historic structures in Walnut Hills, especially along the East McMillan Street and Gilbert Avenue corridors, the continued pursuit of Historic Tax Credits (HTC), which were leveraged for the rehabilitation of Trevarran Flats and the Paramount Building, should be part of the long-term strategy for the community. Though program resources and funding cycles limits the use of HTC, there should be an ongoing evaluation of HTC eligible historic properties with catalytic economic development potential.

Low-Income Housing Tax Credits (LIHTC) can also be utilized to increase the stock of affordable housing, but also for the rehabilitation of existing structures. There are numerous examples of the utilization of LIHTC for the adaptive reuse of larger historic structures, like vacant school buildings or industrial lofts, into affordable apartments for families, artists, and/or seniors, but also for scattered site developments that rehabilitate existing single-family (or smaller multi-family) structures that are then professionally managed as a single rental entity. This approach helps stabilize neighborhoods with large numbers of vacant or unmaintained properties and would be appropriate for the Southwest and Near North sub-districts.

5. **Cooperative Housing**

Cooperative (or “Co-op”) housing is an older model that may be worth resurrecting as a means of delivering affordable housing that has lasting value. Affordable co-ops secure and hold the mortgage of a whole building and individuals buy shares of the co-op; as such, they do not have to secure a mortgage and instead buy modestly priced shares and pay a monthly carrying charge, which is also moderately priced. Many co-ops, which were more commonly developed in the 1940s, 50s, and 60s when government programs encouraged their development, have maintained their affordability and quality because residents make many individual and collective efforts to maintain their properties and keep expenses low. Some key tenets of successful affordable cooperative housing include the following:

- Housing charges adjusted annually to reflect changes in cost of operations and maintenance; not market-based inflation
Walnut Hills Reinvestment Plan  
Phase II Market Strategy

- Residency restrictions to ensure incomes initially fall below some appropriate limit
- Ability for members to remain as residents even if their household income increases in order to limit turnover
- Membership by all co-op residents so success and responsibility is shared
- Long-term availability of property as affordable housing

While funding sources for co-ops have become limited as government programs have sought to support other types of housing, so called “Third Sector” sponsors—often CDCs—have partnered with governments and lending institutions to develop co-ops, making use of HOME funds and other low-interest loans. One model in Minneapolis consists of “leasing co-ops”, which provides a legal mechanism to make use of the LIHTC program.

6. Tax Abatement for Residents

The Cincinnati Community Reinvestment Area (CRA) Residential Tax Abatement program has been a successful tool for encouraging new development and rehab of existing structures throughout the city with the goals to “stimulate community revitalization, retain city residents, attract homeowners, and reduce development costs for homeownership and rental projects.” However, as neighborhood conditions improve and property values increase, many long-time residents in communities like Walnut Hills are faced with increased property assessments and real estate taxes, which can become unaffordable over time.

Though protecting low-income residents from the financial burdens of gentrification is a challenge in revitalizing neighborhoods across the United States, one approach implemented by the City of Philadelphia is an existing resident tax abatement program called the Longtime Owner Occupants Program (LOOP), also known as Gentrification Relief. The program provides a tax abatement to minimize property tax increases for select low- to moderate income residents living in their homes for more than 10 years. A similar program on the citywide level, or for select communities such as Walnut Hills, could be an effective way of retaining long-time residents.

7. Low Interest Building Repair Fund

Property maintenance is often a challenge in lower-income areas, especially in areas with a large stock of historic properties, which can be costly to maintain. Many property owners do not have enough resources, or cannot generate enough rental revenue, to property maintain their properties. Though enforcement programs are necessary to weed our negligent landlords and owners, but funding, programs, and mechanisms need to be in place to assist responsible landlords with their maintenance needs.

8. Proactive Code Enforcement/Occupancy Permit Program

The increasing number of unresolved building code violations at a property is a sign of neglect and lack of responsibility from the property owner. Proactive inspections and code enforcement can encourage a greater degree of responsible action on the part of landlords.

It is not uncommon for cities like Cincinnati to use a complaint-based system for code enforcement, but it also allows many violations to go unnoticed. In multi-family rental properties, some tenants may fear eviction if they report code violations or some residents may be unaware of the complaint process or issues that warrant a complaint.
Walnut Hills Reinvestment Plan  
Phase II Market Strategy

As a response to the “broken windows” theory that properties in disrepair have adverse impacts on the values of surrounding properties and lessen the motivation of adjacent property owners to maintain their properties, maintenance codes can require property owners to be responsible for exterior appearance. The city of Cincinnati has implemented a Concentrated Code Enforcement program, often performed as part of the Neighborhood Enhancement Program, and a Property Maintenance Code. Therefore, it is critical that the Walnut Hills community makes strong partnerships with the Department of Buildings to ensure that these programs continue to be effectively implemented in Walnut Hills. This will ensure that properties are structurally sound and conform to all applicable building code requirements and that negligent landlords and property owners are held accountable for violations.

9. Tenant Equity

Tenant equity is a model that enables renters work with property owners to maintain an apartment building in return for equity. From the savings accrued from reduced maintenance costs, apartment properties can provide equity payments for tenants who work on maintaining a property. Some programs provide up to $5,000 to $10,000 to tenants over a period of 10 years in return for maintenance efforts.

10. Banking/Acquisition for Future Development

Many communities with declining populations, or transitioning neighborhoods with blighted conditions and underutilized or vacant properties, are exploring creative uses of vacant land, including wetland and watershed restoration, park land, and urban farms. Land banking can help facilitate strategies to manage declining market demand.

Land banking allows for the acquisition of properties that are not marketable in their current form (or at the current time) and assembly for future use. While redevelopment into economically viable projects is perhaps most desired, shrinking cities are looking at creative uses of vacant land when a market (or underlying economics) are lacking, including wetland and watershed restoration, park space, and urban farms.

11. Temporary Uses for Vacant Lots (urban farming)

Urban farms make use of the growing trend of, and appreciation for, locally grown, natural foods. By converting vacant land into community gardens and urban farms, land that would otherwise lie fallow is put into productive use. Further, communities often take ownership of land that would otherwise be largely unmonitored.

While urban farms often are generally not the most economically productive use for land amidst a major metropolitan area, they can be in some instances. In these cases, urban farms can provide value to their communities and be made ready for development when (and if) market demand returns.

Urban agriculture has also been used as a community revitalization tool in similar communities throughout the Midwest. In fact, it presents two opportunities: a catalyst for community empowerment and neighborhood stabilization, and a commercial enterprise. A study by Gateway Greening, a St. Louis-based community gardening advocacy organization, showed better rates of property appreciation, rent growth, occupancy, and homeownership—basic metrics indicating a
neighborhood’s health—in the vicinity of its community gardens. This demonstrates that while community-based urban agriculture may not always directly stimulate the economy in the form of jobs and income, it can help stabilize a neighborhood, boosting marketability, desirability, and economic competitiveness.

12. Crime Prevention and Problem Properties

Whether perceived or actual, crime can be very detrimental to the overall marketability of a neighborhood and studies have shown that a decrease in crime tends to increase property values. Personal (particularly violent personal) crime has been demonstrated to affect property values. A Chicago crime case study (Rizzo, 1979) found that a 10 percent decrease in crime rate tends to increase property values by two to four percent. In a well-known 1978 study, researcher Richard Thaler attributed a one standard-deviation increase in crime to a per acre land price reduction of $3,847.

Often there are only a handful of properties in a neighborhood that contribute to unsafe conditions and detract from neighborhood marketability. It is critical that through partnerships with the Cincinnati Police Department and other city departments, problem properties are identified and strategic enforcement programs are implemented to improve safety and neighborhood conditions.
Targeted Investment Areas

In addition to the neighborhood investment strategies requiring more of a sustained, and long-term, approach leveraging sound policy and programs and incremental investments, three Targeted Investment Areas have been identified with the most catalytic potential for positive community-wide change. Building upon the initial nine sub-districts (identified on page 4), after outreach and feedback from the community and key stakeholders, following Targeted Investment Areas were identified given their capacity to accommodate new mixed-use development.

Peebles Corner

Includes the previously identified sub-districts of Gilbert North, Gilbert South, McMillan East, and McMillan West and represents the heart of Walnut Hills. Continued investments in these areas are intended to build upon previous revitalization efforts that include streetscaping along East McMillan, Treverran Flats, the future Paramount Building redevelopment, Fireside Pizza, and Five Points alley. This area has the most visibility and pedestrian activity and future investment should continue to enhance the retail environment and parking access and increase the number of higher-density residential units. Residential development should include a mix of rehab and new construction in mixed-use and residential buildings.

Lincoln Avenue

Includes the areas south of Martin Luther King Jr. Drive and east of Gilbert Avenue. Given the excellent access to Uptown and new Interstate 71 interchange and availability of vacant parcels, this area should accommodate a wide range of higher-density development typologies including residential, mixed-use, and commercial uses. This future development area also builds upon the historic main street retail that once lined Lincoln Avenue, which should encourage the rehabilitation of existing retail space along Lincoln Avenue.

Buena Vista

Given the availability of vacant parcels and presence of underutilized properties, the areas north of Martin Luther King Jr. Drive and east of Gilbert Avenue also provides an opportunity for higher density mixed-use and commercial development. Similar to the Lincoln Avenue investment area, this area can also leverage the excellent accessibility and visibility off of Martin Luther King Jr. Drive. Though the office market is not robust at this time, the continued revitalization and development in Uptown and hospital district along with the Interstate 71 interchange vastly increases the marketability of this site for commercial office and hotel development.
Catalytic Development Opportunities

Within the three Targeted Investment Areas, the following development typologies, uses, and strategies should be incorporated in the Walnut Hills Reinvestment Plan, since they can help set the groundwork for catalytic change.

1. Local Retail

The local retail environment should build off of the successes of DeSales Corner, but should be positioned to offer an alternative and unique experience with more of an emphasis on daily services. DeSales Corner, with its attractive historic buildings and smaller retail spaces, continues to evolve as a new hub for quality dining and boutique retail. Peebles Corner can build off of this momentum, but should reposition itself by offering a different experience given its access to public transportation and vehicular commuting networks and higher volumes of pedestrian activity.

As identified in the market study, there are just under 35,000 workers that work within a five-minute drive of Peebles Corner that can support an estimated 100,000 square feet of retail space with their daily spending for coffee, lunch, dry cleaning or other daily needs. If Walnut Hills could capture a portion of this demand, it could become a hub of daily needs retail for the daily workforce, balanced with retail serving local residents, such as grocery stores, and retail serving visitors, such as bars and restaurants. In other words, Walnut Hills has an opportunity to serve a very diverse range of customers and should not exclude any potential “user” of the district. Though Walnut Hills has excellent access to public transportation and walkability, the success of expanding its retail offerings will be contingent on vehicular accessibility emphasizing the need for well-placed parking (lots or structured).

Urban retail environments can still maintain diversity and a “gritty” experience, but still remain attractive to retailers and a wide customer base. The most critical still in improving the marketability of Walnut Hills is increasing retail occupancy with lower-than-market rents and maintaining a diverse range of retail tenants that can also include creative spaces, galleries, social services, and institutional uses.
2. **High Visibility Anchor Tenants**

The Paramount Building has excellent visibility given its location at the intersection of McMillan Street and Gilbert Avenue, both of which carry high volumes of vehicular and pedestrian traffic, and marketability as an attractive historic building. Though the redevelopment plans will maintain the second and third floors as office space, the ground floor retail space presents an excellent opportunity for catalytic change to connect retail and pedestrian activity on the eastern and western parts of the corridor. Given its location, this presents an opportunity for an anchor tenant that can benefit local residents and be a significant draw for commuters who utilize Gilbert Avenue and East McMillan Street. There are a number of examples of the adaptive reuse or continued use of prominent historic buildings with anchor retail tenants, including pharmacies, grocery stores or bank branches throughout the country.

3. **Mixed-Use Development**

The mixed-use typology is intended to be targeted in Peebles Corner, Lincoln and Buena Vista. The ground-level retail component would have excellent visibility along the well-travelled McMillan Street, Gilbert Avenue, and Martin Luther King Drive corridors. Well-integrated mixed-use properties can help fill gaps in the urban fabric and improve the overall pedestrian experience with well-designed and complimentary retail tenanting. Given the abundance of street-level retail space in the neighborhood, changing retail preferences, and competition from larger-scale national chain retailers in neighboring communities, the uses of the ground-floor space in mixed-use buildings does not always have to include traditional retail—it can provide a multitude of uses, including public, institutional or community uses.
4. **Artist Lofts**

Given the impacts that artists and the creative community can have on a neighborhood, the incorporation of designated live-work or affordable artist lofts is a way to sustain Walnut Hills as an arts hub. The availability of underutilized storefronts around Peebles Corner provides opportunities for gallery, performance, and other creative space. As seen in countless urban neighborhoods, the creative community often pioneers revitalization activity, only to be later be priced out as property values and rents increase. The incorporation of affordable artist lofts in Walnut Hills can not only put underutilized properties back into productive use, but also attract artists and ensure that they have a lasting presence in the neighborhood. There are a number of examples of artist lofts that have leveraged LIHTC for development/redevelopment. Properties throughout Walnut Hills, especially along the Gilbert Avenue Corridor, should be evaluated for the feasibility of their adaptive reuse as artist lofts.

5. **Fresh Food Access**

Access to a quality grocery store and/or fresh food options not only improves the marketability of an area, but ensures food security and accessibility and encourages healthy living for a community. Given the relatively high proportion of households in Walnut Hills that use public transportation and/or do not have access to an automobile, ensuring the continuity of the Kroger store (or a potential replacement) is critical to the future vibrancy of the neighborhood. At the same time, given the socio-economic diversity of existing residents—and higher-income residents moving to the neighborhood—there are successful models of urban grocers that cater to a broad range of income levels, use a smaller footprint of 30,000 square feet or less (and even occupy mixed-used buildings), support locally sourced food, and place an emphasis on café/prepared food to increase revenues. Some examples include Fields Foods in St. Louis or Lucky’s Market, a growing chain in the Midwest.

Given the amount of time and resources necessary to plan and develop a new grocery store, there are also a number of interim solutions to ensure healthy food access, including the incorporation of smaller-scale grocers, farmers markets (seasonal or year-round), butchers, and green grocers.
6. Business Incubator/Co-work Space

With the rise of telecommuting and freelancing and the ability for small businesses to access clients and consumer markets through the internet, the necessity of the traditional office space is evolving. According to Forbes, there were 10.3 million freelancers in the United States in 2005 and in 2016, there are over 50 million freelancers. This has a direct impact on the types of working spaces communities need to provide this changing workforce. Given the abundance of vacant space along Gilbert Avenue, the incorporation of a co-worker space, would be a way of putting space back into productive use, but also creating vibrancy by adding more daily workers to Walnut Hills, which then has a direct impact on housing, retail, and critical mass for improved public transportation. Co-work spaces can vary in terms of level-of-finish and services offered, where some only provide raw space in an informal café-style environment, while others include private offices, conference rooms, mail service, concierge service, and even small business assistance resources.

With the increasing emphasize throughout the United States to promote entrepreneurship and innovation, a co-working space can also serve as a business incubator where small businesses can “collide” and “cross pollinate” to improve businesses practices. The incubator space usually offers below-market rents so the business can focus more investment in product development, marketing, and expansion. The ultimate goal is that the business “graduates” from the space and moves to a permanent space (ideally within the community). This way the businesses incubator functions as a catalyst for economic development in terms of local job growth, community wealth building, and real estate development. Therefore, it is critical that the incubator space is interwoven within the existing urban fabric and has strong ties to the community.

Either a co-work space or business incubator with added services and resources would be a way to position Walnut Hills as a hub of innovation and creativity. MORTAR, located on East McMillan Street, is a successful example of an incubator providing services to Walnut Hills and throughout the city. The promotion and support of these types of organizations/activities should continue to be a major component of Walnut Hills moving forward, although formal partnerships with the University of Cincinnati and Xavier University would also help strategically align Walnut Hills as an innovation hub.

7. Public Markets as Incubators

Public markets in themselves can function as business incubators that promote local entrepreneurialism, production, marketing, and sales. An aspiring retail businesses can test market their products with very low costs beyond the costs of production and fee for a kiosk or table at the market. Businesses can also operate in a collaborative environment while also building a local customer base. Public markets in downtown areas or retail main streets can also stimulate retail activity around the market due to increased pedestrian activity.
By merging the public market and business incubator models, “students” have the resources and network to start, grow, and expand their businesses while connecting with the local community with the intention of “graduating” to a permanent retail space or supplementing operations with online sales. MORTAR’s Brick Pop Up Shop is an excellent example of incorporating incubator and public market elements. This type of activity should continue and can have a lasting impact on the local community and attract visitors from a broader market.

8. Maker Space

Maker spaces refer to shared workshops for “tinkerers,” or members or visitors who share tools and workspace but who typically do not maintain a private workspace at the location. These community-oriented spaces may host entrepreneurs looking to prototype or explore new technologies; however, commercialization of these activities is normally a more “advanced” step of the invention process than most makerspaces support. The range of technology offered at maker spaces ranges from basic tools to high-tech equipment such as 3-D printers or other computerized machinery. These types of spaces can not only promote entrepreneurship and innovation, but also serve as community building hubs for youth and local residents.

Other than equipment and materials, maker spaces typically only require raw, industrial or commercial space with limit fixtures and finishes. This type of use would be an excellent way to put underutilized space along East McMillan Street or Gilbert Avenue back into productive use with minimal rehabilitation costs.
Development Program

Based on the market analysis, the following development program provides a summary of the market-based opportunities for Walnut Hills, but also the types of uses, pricing, and most appropriate scale over the next five to ten years. Assuming that additional placemaking, circulation, public transportation, and other community amenities are provided and/or enhanced, as outlined in the Walnut Hills Reinvestment Plan, demand for housing and retail will likely increase. Essentially, these uses below will have a catalytic effect on future development in Walnut Hills.

<table>
<thead>
<tr>
<th>USE</th>
<th>Location</th>
<th>AMOUNT</th>
<th>DENSITY LAND NEEDED</th>
<th>UNIT TYPE AND SIZE</th>
<th>PRICE/ RATE</th>
</tr>
</thead>
<tbody>
<tr>
<td>MARKET RATE APARTMENTS</td>
<td>McMillian Corridor</td>
<td>200-250 units</td>
<td>20-25 units per acre</td>
<td>Studio</td>
<td>$650</td>
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<td></td>
<td></td>
<td></td>
<td>4-6 acres</td>
<td>1 BR 675 sf</td>
<td>$950</td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td>2 BR 950 sf</td>
<td>$1,250</td>
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<td>AFFORDABLE ARTIST LOFTS</td>
<td>Gilbert South</td>
<td>40-50 units</td>
<td>1 BR 650-1,000 sf</td>
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<td></td>
<td></td>
<td></td>
<td>2 BR 1,000-1,300 sf</td>
<td></td>
<td>$800</td>
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<tr>
<td>MIXED-INCOME APARTMENTS</td>
<td>McMillian Corridor</td>
<td>40-50 units</td>
<td>1 BR 675 sf</td>
<td></td>
<td>$600</td>
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<tr>
<td></td>
<td></td>
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<td>2 BR 950 sf</td>
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<td>3 BR 1,400 sf</td>
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<td>$950</td>
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<tr>
<td>MARKET RATE TOWNHOMES/HIGHER-</td>
<td>McMillian Corridor / Infill Throughout</td>
<td>100-150 units</td>
<td>12-16 units/acre 3-5 acres</td>
<td>2 BR 1,500 sf</td>
<td>$200,000</td>
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<tr>
<td>DENSITY SINGLE-FAMILY (NEW)</td>
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<td></td>
<td></td>
<td>3 BR 1,750 sf</td>
<td>$225,000</td>
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<td>GROCERY STORE</td>
<td>McMillian Corridor</td>
<td>25K to 35K SF</td>
<td>Depends on parking requirements</td>
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<tr>
<td>SURFACE PARKING</td>
<td>McMillian Corridor / Gilbert South</td>
<td>TBD</td>
<td>100-150 spaces/acre TBD</td>
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<tr>
<td>INCUBATOR/MAKER SPACE</td>
<td>Gilbert South</td>
<td></td>
<td>Depends on space availability</td>
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<tr>
<td>RETAIL SPACE</td>
<td>McMillian Corridor</td>
<td>Ongoing tenanting program</td>
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<td>$12 psf</td>
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