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Photo courtesy of Otero Signature Homes

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KEN KRYCH

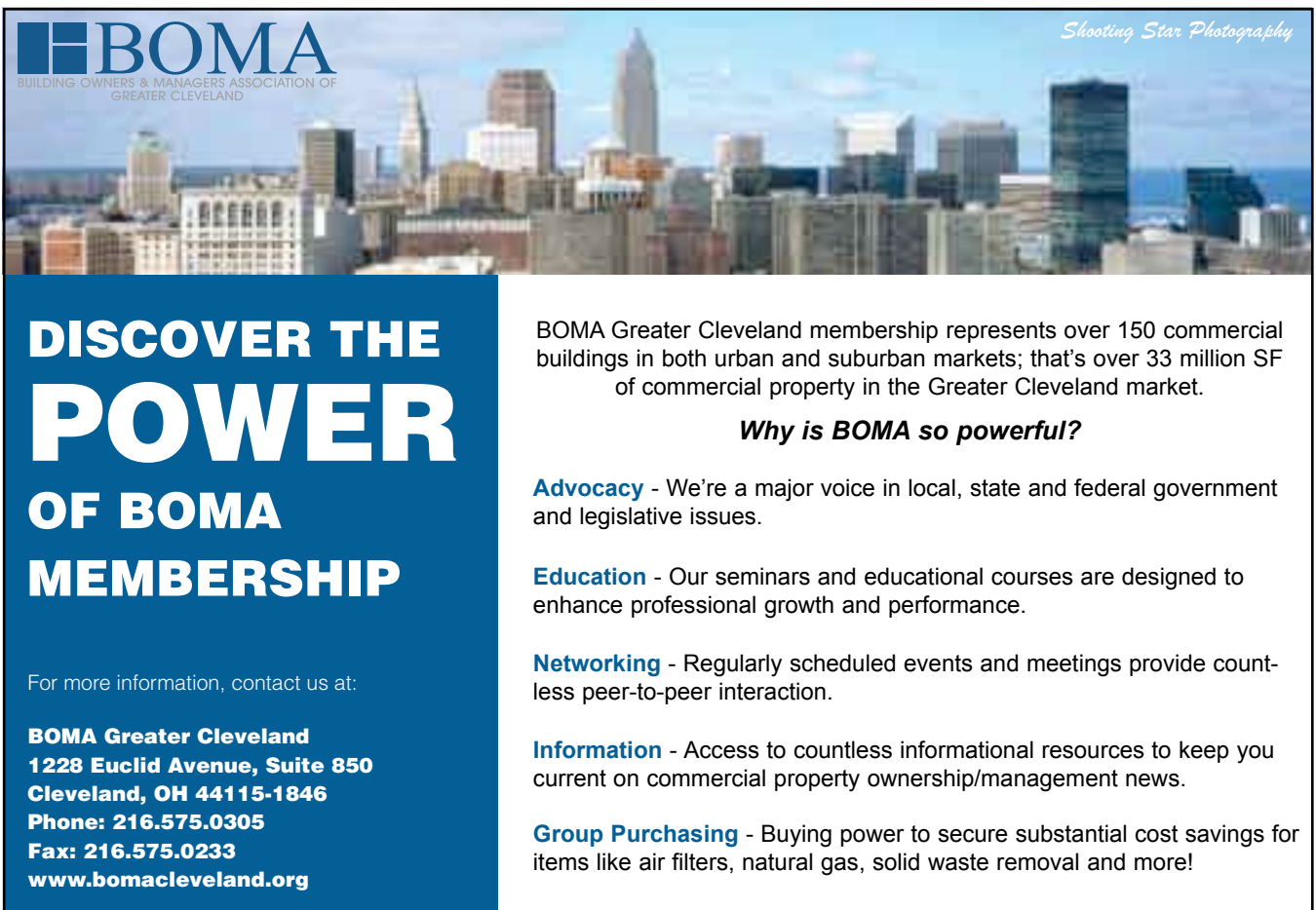
Making for a Great 2008!

Happy 2008 – Let’s get started! This month historically is our “Look Back, Look Forward” issue in which we take status of the region’s building and real estate market in 2007 with the latest figures compiled and estimate where 2008 should lead us. I want to thank the top firms and individuals that contributed again this year. A special thanks to CB Richard Ellis Company and Robert Redmond for providing insight on the commercial real estate and building markets; Calabrese Racek & Markos Inc., which has provided us with timely residential information across more than 70 cities throughout the region; and McGraw-Hill Construction Group, which has provided us with its national forecast and outlook for 2008. We also want to thank

Alec Pacella, regional manager at First Industrial Trust, who contributes financial articles to *Properties* each month, and Bill Gagliano, of Ulmer & Berne LLP, for their valuable insights within this special section.

Our cover feature showcases a new home for The Mandel Center for Non-Profit Organizations at Case Western Reserve University. It is quite unique in its design with a green roof, beautiful courtyard and dramatic use of glass and wood. Completed by The Albert M. Higley Company, it is another beautiful addition to the Case campus.

This month we are also proud to bring you an in-depth look at Otero Signature Homes, which was founded by Ted Otero and his wife Kelly. They are very focused, positive individuals who



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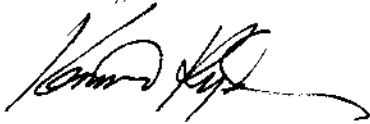
build Mediterranean-style custom homes in the Greater Cleveland area. The company was a childhood plan and dream of Ted Otero and through hard work and dedication he has made it a reality. Congratulations to their success!

•

Here at *Properties* we are resolute in helping you make this a tremendous and most prosperous year. We value people and our relationships above all else and welcome all feedback on individuals and projects that you believe we should cover in the coming year. As always, we encourage your input throughout 2008 as we begin our 62nd year of publishing and look forward to promoting and supporting your fine work and accomplishments. Know that you can call or email me at anytime.

From everyone at *Properties*, have a happy and great 2008!

Positively,



Kenneth C. Krych
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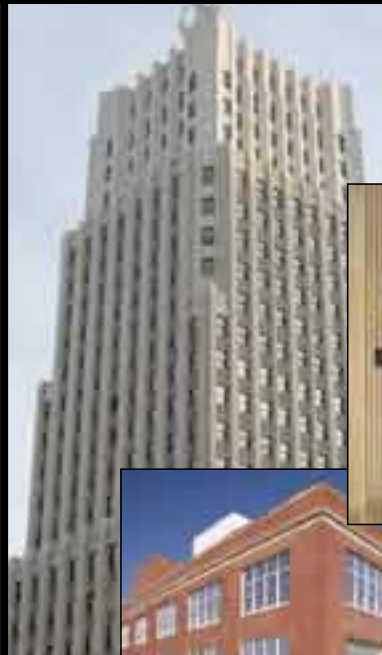
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PROPERTIES PEOPLE

Highlighting notable industry events



NAWIC Holiday Special

Nearly 250 members of 15 related building and design associations recently enjoyed an evening to celebrate the holidays at the Embassy Suites Hotel in Independence. At the fourth annual event presented by the local chapter of National Association of Women in Construction (NAWIC), attendees enjoyed networking, dinner, a Chinese auction and 50/50 raffle with over \$1,600 in proceeds going to Coats for Kids, *The Plain Dealer's* Holiday Spirit Charities and the local Red Cross. **P**

- 1 (From left) **Matthew Kairouz**, of CTL Engineering, Inc., and **Jill McKibbin**, of Burns & Scalo Roofing Company
- 2 (From left) **David Thomas** and **Trina Hyatt**, of The Charles E. Phipps Company
- 3 (From left) **Jeff Young**, **Charlie Izzo**, **Mark Vega** and **Jennifer Kless**, of Infinity Construction Company
- 4 (From left) **Mark** and **Terry Lasky**, **Carol** and **John Porada**, of Construction Employers Association (CEA)
- 5 (From left) **Brett Neff**, of REWarner Company, and **Mandy Phelan**, of eBlueprint
- 6 (From left) **Toni Walker**, of Construction Employers Association (CEA) and **Denise Simerale**, of Crane Certification Enterprises

1 (From left) **Joseph Meissner** and **Gia-Hoa Ryan**, of Friendship Foundation of American-Vietnamese, and *Properties* Publisher **Ken Krych**

- 2 Guests enjoy the fine Asian cuisine.
- 3 Many exotic Asian delights included a whole roasted pig and many different desserts.

FFAV Holiday Party

Friendship Foundation of American-Vietnamese (FFAV) held its annual holiday party located at the group's headquarters at Saigon Plaza (5400 Detroit Avenue in Cleveland). Top leaders of Cleveland's Asian community, including FFAV Executive Director Gia-Hoa Ryan, attended along with many friends and associates to enjoy a unique Asian holiday banquet. Ryan immigrated to the U.S. some years ago and is a leader in the Vietnamese and Asian community, which has been redeveloping the Westside neighborhood for many years with plans for many new condominium developments. **P**



- 1 (From left) **Tom Einhouse**, of PSF Management Company, and event sponsor **Jonathan Sandvick**, of Sandvick Architects, Inc.
- 2 (From left) **Mike Sutton** and **Ron Groh**, of eBlueprint

Cleveland Restoration Society Luncheon

"Best Practices to Preserve our Future" was the theme of the Cleveland Restoration Society's 35th annual luncheon, held recently at the Marriot Hotel in downtown Cleveland. Tom Einhouse, of PSF Management Company, presided over a panel of speakers including John J. Ferchill, chairman and CEO of The Ferchill Group; Jonathan Sandvick, of Sandvick Architects, Inc.; and David J. Strauss, partner with Baker & Hostetler LLP. Walter C. Leedy Jr. was the inaugural recipient of the Robert C. Gaede, FAIA Lifetime Achievement in Historic Preservation. Leedy, who passed away in November 2006, led countless effort to preserve Cleveland's rich heritage. **P**

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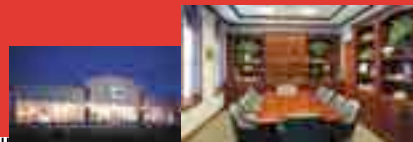
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OUPS... I Did It Again (or Did I?)

How much do you know about the legal requirements for the protection of underground utilities on a construction project in Ohio? Unfortunately for many people in the construction industry, their knowledge of this important subject does not go beyond the toll-free number for the Ohio Utilities Protection Service (OUPS).

What is OUPS?

OUPS is not a utility marking service, but it is many other things. OUPS is a clearinghouse of information, a consortium of utility owners organized under R.C. § 153.64(A)(4) as an "underground utility protection service" and registered with the Secretary of State and Public Utilities Commission. OUPS takes requests from contractors and project owners for utility locations and relays those requests to the actual utility owner. It is the utility owner who has the legal duty to provide project owners with utility locations for planning purposes and to mark utility locations on the ground during construction. OUPS also preserves the record of these requests. Though OUPS provides quality assistance, project owners and contractors still need to know the law.

The "2-3-2 Rule"

One useful way to keep things straight is the "2-3-2 Rule." There are two main statutes regarding utility protection in Ohio, one for public projects (R.C. 153.64) and the other for privately funded work (R.C. 3781.25 through 3781.32). There are three main parties to a construction project: the project owner, the utility owner and the contractor. And there are two phases to a construction project: design and construction. The law assigns particular duties and liabilities depending on what party is involved with which phase of the project.

When considering a question of what duty someone owes under the law regarding

utility protection on a construction project, it is helpful to answer the following:

1. Do the public or private project statutes apply?
2. Am I the project owner, utility owner, or contractor?
3. What stage of the project is it – design or construction?

When must you follow the statutes?

The most fundamental question for all this business is when do the utility protection statutes apply? R.C. § 3785.25(H) includes a very broad definition for "excavation," including "the use of tools, powered equipment or explosives to move earth, rock or other materials in order to penetrate or bore or drill into the earth, or to demolish any structure whether or not it is intended that the demolition will disturb the earth." So practically everything from driving survey lath to excavating with a massive hydraulic excavator triggers certain legal duties.

Play by the rules

Although determining how the statutes work can be tricky, the decision to follow them is easy because otherwise personal injury and property damage could result. OUPS remains a valuable resource for the construction community, and with the help of the "2-3-2 Rule," utility protection just got easier.

BOMA Greater Cleveland is proud to provide this space to our associate members so they can inform, educate and share their knowledge with property management professionals. This article was written by Doug Shevelow, P.E., Esq., associate of the Construction Law Group at Bricker & Eckler LLP. He can be reached at (614) 227-4803 or at dshevelow@bricker.com. Bricker & Eckler LLP has been a BOMA Greater Cleveland member since 2006.


Janice L. Parham
Executive Vice President
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Look Back, Look Forward

Examining Greater Cleveland commercial real estate 2007/2008

Provided by CB Richard Ellis, Inc.

Many readers interested in the state of commercial real estate look forward to consensus among those professionals who carefully observe and analyze their markets of special focus. The continued influence of Wall Street and traditional capital markets, as well as REIT and CMBS interests, are forcing increased sharing of data, resulting in reduced disparity of market statistics. In addition, several data sources have refined their research techniques resulting in findings that are more consistent with each other, although there are still disparities among the various sources that amount to as much as seven percent in valuation calculations. We are not done yet.

Factors that continue to resist consensus include the basis for measurement, geographical boundaries, sizes and kinds of buildings, timing of recording the data (when tenants move out, move in) and how sublease space affects the statistics. Analysts note, as long as the data is professionally gathered and honestly reported, it is the right of the observers to report how they see cause-and-effect relationships or correlations in the industry. As a result, the practice of reporting market statistics, analyses and forecasts is an art as much as it is a science. In answer to the question, "How's commercial real estate today?" it depends on the point of view held by a tenant, or landlord, buyer or seller, or practitioner such as broker, lender, lawyer or title person.

Most significant for the next few years could be radical change and new trends in office space design and occupancy. Architects indicate that with new emphasis on "green" environments for employees, significantly increased costs for new construction and anticipated increased costs for energy, they are being asked to create new building structures, renovate older stock and design new interiors that address solutions to the new challenges.

Please read on to ascertain how the CB Richard Ellis market reporters see last year's and this year's conditions.



Source: CB Richard Ellis, Inc.

Cleveland Office Market Outlook

By Robert F. Redmond, SIOR
Senior Vice President, Office Properties
CB Richard Ellis



The national office vacancy rate varied slightly from quarter to quarter during the past year due to the completion of new office buildings in selected areas started during 2006 as the declining vacancy rate dictated a future need

for more space. As of the end of 2007, it was a healthy 12.7%. The continued health of the office market has occurred mainly because of increases in white-collar employment in many sectors of the economy. That resulted in increased absorption, coupled with slowed construction. Markets that are significantly healthy with the lowest vacancy percentages include New York City, Miami, and California's Orange County, Ventura County, Riverside, Los Angeles and San Francisco. Washington, D.C. and Seattle continue to be vibrant, as are all 24-hour cities. Major reasons for this are the health of the economic sectors that continue their expansion such as finance, high tech, health care and international trade. The office sector nationally was the sector of choice for investors with the Northeast and Western United States accounting for 64% of sales during 2007.

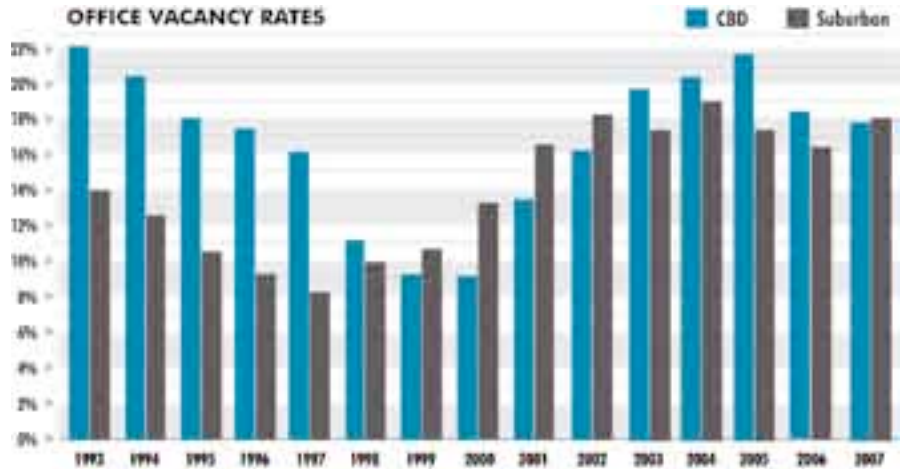
The overall Cleveland area office vacancy rate is currently at 17.9% slightly up from 17.3% in 2006. That amounts to over six million square feet of vacant office space, which includes nearly eight hundred thousand square feet of sublease space that is vacant and currently on the market. The good news is that in 2002, the amount of sublease space exceeded 1.2 million square feet. It has steadily declined to the current level. The outlook for the Cleveland

area office market is extremely good for 2008. The dynamics of the CBD and the various suburban submarkets, however, require further explanation because each geographical area has unique characteristics resulting from typical tenants in these areas.

Cleveland Central Business District

The Central Business District, while more condensed than the suburbs, has finally succumbed to suburban sprawl and growth. Twenty-five years ago, the CBD accounted for nearly 60% of the area's inventory. With no new downtown construction since 1993, other than the Federal Courthouse Tower (not considered multi-tenant space in CB Richard Ellis statistics), substantial growth in the suburbs, and re-classification of the existing CBD inventory, it now accounts for 48%, or 16.6 million square feet, of the total 34.7 million square feet that constitute the Greater Cleveland Market area. This ratio still evidences a stalwart downtown when compared to the rest of the United States where 63% of the nation's inventory is in the suburbs.

The vacancy rate in the CBD, the most telling of all multi-tenant office building statistics, is 17.8%, down from 21.8% two years ago. It changed direction, in 2006 trending downward for the



Source: CB Richard Ellis, Inc.

first time since 2000 and continued its decrease through 2007. This is due to the 624,000 square feet of absorption during the past two years. The CBD vacancy rate is lower than the suburbs,

The outlook for the Cleveland area office market is extremely good for 2008.

at 18%, which is the same situation as 2002 when the CBD rate was lower than the suburban rate.

Class A Downtown vacancy has declined for the past two years. Even

better news, however, is that the vacancy is generally spread as opposed to existing in high concentrations in a small number of troubled buildings. Only one Class A building, 200 Public Square, has sufficient space to accommodate a 90,000-square-foot tenant, who is shopping for new space. This availability is in the low rise however, and could only be occupied by a unique user.

It is interesting to note that an unusually large proportion of the Class B vacancy is concentrated in just a few buildings. Of the two million vacant square feet, nearly one half is accounted for by eight of the 33 buildings; namely, Huntington Building, which now has 300,000 square feet available, 1717

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East Ninth Street (East Ohio), 65-75 Erievue Plaza, Halle Building, Terminal Tower, 113 St. Clair, MK Ferguson Plaza, and The Leader Building. The remaining space availability is spread throughout the balance of those buildings tracked in CB Richard Ellis' CBD Class B database.

The big news

Right now eight large tenants are thought to be evaluating five proposed projects. This may appear to be a similar scenario to two decades ago when several new office buildings were under construction while Cleveland's old-line firms were evaluating new digs with threshold rents. It is not the same today. Three of the new projects (Forest City, Jacobs, and Ferchill) are typical office buildings. The other two projects (Stark and Wolstein) offer an alternative very popular in other metro areas; developments which offer "live-work-and-play" scenarios for employers to attract and retain "the best and brightest" employ-

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ees who are impressed by these urban environments. Stark's plan is to "insert" in the barren parking lot areas of the warehouse district a "new city" mixing of residential, retail, and office space worth \$1 billion. Scott Wolstein offers a similar scenario in The Flats-Eastbank area, where the Cuyahoga River flows into Lake Erie.

The tenants who have been named to be evaluating such projects for occupancy from 2010 through 2013 include: Baker & Hostetler, Ernst & Young, Eaton Corporation, Huntington National Bank, and Squire Sanders & Dempsey. Three others are yet unnamed. The space requirements aggregate a total of 1.3 million square feet.

The next six months should reveal the direction these tenants and projects will take.

Cleveland Suburban Office Market

The suburban office market is comprised of 395 office buildings that CB Richard Ellis tracks in Cuyahoga County and selected contiguous municipalities. It has continued to grow during the past few decades. Since 1997, new construction has amounted to 3.8 million square feet, although fortunately for market stability, new construction declined steadily since 2001. In 2004, only 184,278 square feet was constructed. In 2005 and 2006,



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none. Two new buildings were completed in 2007, Westside Plaza (across from Crocker Park) and The Elk and Elk Building in Landerhaven. Total suburban inventory now accounts for 52% of the Cleveland market with 18.1 million square feet. The Cleveland suburban office market continues to expand toward Akron in Hudson, Twinsburg, Streetsboro and Richfield.

Suburban vacancy peaked in 2002 and 2004 at 18.6% and 19.0% respectively. It changed direction during 2005, decreasing significantly through 2006 to 16.3%, and it sprung upward to 18% during 2007. This is not good news to landlords. It must improve. Vacancy rates in the mid to high teens continue to provide opportunities for tenants wishing to expand or relocate to negotiate good deals. With 2007 relatively flat in the suburbs, there should be increased leasing of space in 2008.

Average asking lease rates varied around the \$17.00 per square foot per year range from 2003 to 2006 with rates for the highest quality buildings reaching \$24.00, the peak rate in 2000. Last year, the average settled at \$16.84. This is due to the weighted average of Class A, B and C with the highest amount of vacancy in lower priced Class B space.

It is anticipated that lease rates will stabilize during 2008 and begin to rise in 2009 as vacancy rates continue to decrease.

There are six submarkets in the suburbs. The east and south, each over five million square feet, account for 60% of the inventory and historically command the highest lease rates. Their vacancies are 11.7% and 23%, respectively. The east vacancy has declined significantly over the past few years, while the south, enjoying a steady decrease for the same period of time, suffered a reversal in 2007 bouncing up to 23%. This was due mainly to vacancies created by the AirGas acquisition of Linde and NovaStar's leaving 6200 Oaktree. The west suburbs vacancy increased slightly, with the completion of new office spaces at Crocker Park and Westside Plaza. The negative net absorption there of 21,000 square feet does not reveal the

healthy amount of interest and leasing that has taken place. Most noteworthy were leases signed by Huntington Bank and Realty One at Westside Plaza for 4,000 square feet and 18,000 square feet respectively, as well as UBS Financial Services for 6,800 square feet. All three tenants moved in during 2007. Morgan Stanley and Wachovia Securities both relocated to Crocker Park in 2006. More leasing activity is expected in 2008.

The 2008 Cleveland Outlook bar chart forecasts a positive year for the office market.

The Industrial Market Outlook

By Howard Lichtig, SIOR
Vice President, Industrial Properties
CB Richard Ellis



Although the industrial market did not set any growth or activity records in 2007, vacancy remained low and moderate rent growth continued. Statistically, third quarter 2006 to third quarter 2007 showed an increase

in average lease rates from \$4.50 to \$4.79 per square foot, and a decrease in availability rates from 6.96% to 6.02%. Year-to-date total activity stayed relatively steady from 7.47 million square feet to 7.45 million square feet. In 21 major facilities, (buildings in excess of 100,000 square feet) sales activity totaled approximately 6.3 million square feet. These indicators all show for continuing (conservative) expansion in 2008.

There have been several interesting factors that have had an impact in 2007 and will continue to be market drivers for 2008:

- Industrial Realty Group's continued investments in our market – Stuart Lichter, with local development partner Chris Semarjian, announced five new acquisitions in 2007, including the nationally significant Goodyear Headquarters project, Euclid's Argo Tech property, Canton's Hoover facility, the Quarries project in Amherst, as well as signing their first tenant in the former Lorain Ford plant
- Fogg's Twinsburg project consisting of 210,000 square feet on 17 acres with 32 foot clear and precast concrete construction



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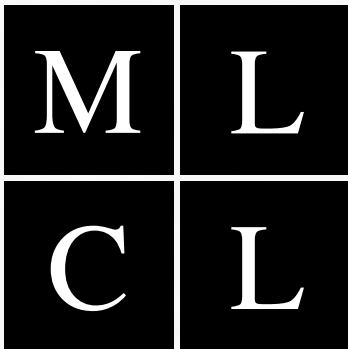
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- Premier Development Company – Ross Farro and Spencer Piszak continue to make their presence felt in the industrial market. They recently started two projects in Glenwillow, one build-to-suit and one speculative building, kicking off their 130-acre development.
- The Geis-Weston partnership's current construction of a 400,000-square-foot speculative building in Glenwillow
- The former Laich Building, a 400,000-square-foot building in Brook Park along I-480 near West 130th Street has been fully leased.

- The possible first quarter 2008 sale of the Geis portfolio of nearly 1,000,000 square feet, to an unnamed buyer
- The sale of the former Tops/C & S Building, a 750,000-square-foot warehouse on about 50 acres

The Tops/C & S Building transaction seems indicative of the investor profile we have seen in 2007 and should continue seeing in 2008: the out-of-town, non-institutional, cash (or lower leveraged) buyer. Due to Northeastern Ohio's pace of growth, slower in physical growth as well as rent growth, we are not on the radar screens of many of the national, higher profile institutional-grade investors, but present interesting

opportunities for value-oriented purchasers.

Given Northeast Ohio's slow-but-steady demand from both warehouse and manufacturers, combined with some speculative projects from our development community and continuing interest in stabilized industrial investments, 2008 should continue the 2007 growth pattern, hopefully gaining momentum by the third quarter 2008.

The Retail Market Outlook

By Keith Hamulak

Senior Associate, Retail Properties
CB Richard Ellis



Retail developers have built one million square feet or more, annually, for the past five years in Northeast Ohio. This has kept retailers, leasing agents

and the brokerage community very busy filling space. Our research indicates that there are a few projects that have broken ground or will break ground early next year: The Plaza at SouthPark in Strongsville, Deerfield Crossings in Amherst and Bridgeview Commons in Garfield Heights. Developers are



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pursuing referendum initiatives in Boston Heights, Broadview Heights, Orange, and Solon. In the event these developers are successful, Northeast Ohio could experience more than one million square feet of new construction in 2008. Additional speculative development has been proposed for Cleveland's Central Business District and includes The Flats

East Bank project proposed by Scott Wolstein and Bob Stark's Warehouse project. Wolstein's project has cleared several obstacles over the past year and Bob Stark's vision and success in the suburbs bodes well for his planned project downtown.

The bulk of the retail activity has been absorbing existing retail space. The majority of the vacant space left by Tops grocery stores was absorbed by Giant Eagle. The availability of the Tops real estate was a factor in 2007, leading to less construction of grocery anchored shopping centers than seen in previous years. The big box retailers continue to actively identify in-fill and relocation opportunities. Wal-Mart has opened a SuperCenter at Steelyard



Source: CB Richard Ellis, Inc.

Commons, which should fill a retail void on the near south side of Cleveland. Target opened on West 117th along the Lakewood-Cleveland border and will soon be joined by Giant Eagle, filling a retail void on the near west side. It's too early to determine if the retailers will exceed expectations in these markets, however, if the sales projections are met or surpassed, expect additional retail development in the City of Cleveland as well as the first ring suburbs.

The City of Cleveland is fortunate to have active community development organizations (CDC's). Several CDC's are undertaking major renovation projects in their respective neighborhoods. Northeast Shores Development Corporation is in the process of redeveloping the Waterloo District. The

Detroit-Shoreway CDC created the Gordon Square Arts District. Both of these projects are worth mentioning because of their impact on the local neighborhoods. These projects are located along the major arteries that serve each neighborhood and are positive first impressions. Both projects will be a catalyst for new urbanism and will ultimately lure residents

from the suburbs back into the city.

2008 Trends

- Consolidation in the financial services sector
- Big box in-fill and relocation
- Shrinkage in the casual theme restaurant industry
- Increased mixed-use developments anchored by universities
- Redevelopment of major arteries serving neighborhoods in the City of Cleveland
- Increased environmental awareness and green initiatives



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- Rental rates should remain steady
- Investment activity to remain steady with significant number of foreign buyers

The Equity Market Outlook

By Vicki Maeder, CCIM
 Vice President, Investment Properties
 CB Richard Ellis



When the forecasts for 2007 were written in late December of 2006 and writers were thinking about how the year might unfold, how many of us could have predicted the abrupt and drastic change that occurred? Veterans in the real estate industry knew the markets would shift again, as the strength of the capital markets just seemed too good to be true. Most were thinking that a rise in interest rates would bring on a slow change in the “go-go” lending and selling atmosphere that we had been experiencing.

The change in the lending market started in mid-summer, with all the talk about the sub-prime mortgages. Conventional thinking was that since commercial loans were stable and with a default rate hovering around 1%, the residential “thing” would sort itself out. The brakes came on fast in the commercial lending arena with lender after lender stepping back along the sidelines. With loan commitments being pulled and difficulty in pinning down debt, many transactions fell out. In many cases the “highest bidder” was not the successful bidder, as the source of capital and their mortgage expectations became of utmost importance to the seller.

How is this affecting the market as the year of 2008 begins? While the interest rates still remain low, the biggest change is the widening of the spreads, increases in the length of time it now takes to complete due diligence, the increased scrutiny level of the real estate and

borrower, and the change in the type of lenders in the market. Banks and insurance companies are stepping into the lender roles in an aggressive fashion; they are filling a need, just with different terms and conditions.

In Cleveland, we experienced another record year of strong sales, especially among office buildings, as the cycle of selling continued. With the Downtown Office market showing great strength in leasing activity, the assets sold or marketed attracted a wide variety of investors from the Midwest and East Coast. The capitalization rates that tend

In Cleveland, we experienced another record year of strong sales, especially among office buildings.

to be higher than in some markets continued to be the magnet for investors to look at the Cleveland market. Sale activity among suburban office buildings was also strong, but impacted somewhat by the midyear capital market shift.

Retail building sales were also strong in the suburbs as investors looked to acquire key assets, with many coming from the East Coast markets. Some of the acquisitions were of single assets, but several were part of larger portfolio offerings. The investors who sought to acquire multifamily assets in the Cleveland market were more diverse geographically, with interest coming from the West Coast, Midwest and East Coast, competing with Cleveland-based investors. All were aggressive in pursuing key assets, whether for a major renovation and upgrade, or to buy stabilized assets to hold for the longer term.

Trying to predict the market in 2008 is much more of a challenge than in past years. Concern over the impact on the economy of the lending situation and how it will affect consumer spending is of concern.

Business and government continue to expand so that may offset some concerns. Investors will be watching the markets closely and it may take a few months or quarters for the capital markets to adjust. **P**

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Construction Outlook 2008

McGraw-Hill anticipates overall construction starts to drop 2% nationally in 2008

Over the past two years, the construction industry has been defined by the sharp downturn for single-family housing. Boosted by investor-led demand, single-family housing reached a record high in 2005, but by mid-2006 the boom began to unravel. At first, other parts of the construction industry were able to pick up the slack. The dollar volume of construction starts excluding single-family housing advanced 16% in 2006, offsetting a 14% single-family decline, and this allowed total construction to rise 2%.

In 2007, however, the single-family correction turned out to be deeper and more extended than first believe. What's more, the previously resilient multifamily side of the housing market is now weakening. While the commercial structure types, such as stores and hotels, continue at a healthy pace, their growth has subsided from prior years. The non-single-family segments in 2007 are still projected to grow 3%, but this will be substantially outweighed by a 25% plunge for single-family housing. As a result, total construction starts for 2007 are now estimated to drop 8%, which would be the largest percentage decline since 1990 (down 9%).

The credit crunch that emerged at mid-2007 continues to be a major concern for construction and the overall economy. In August, the turmoil in the subprime mortgage market widened to include more mainstream banking, and it was feared that the impact would push the economy into recession. The Federal Reserve quickly injected funds into the banking system to restore liquidity, and then lowered the discount rate in August and the federal funds rate and discount rate in September. It's expected that further action will be taken by the Fed in coming months to limit the extent of the credit crunch. Loan availability will still be diminished compared to a few years ago, but not to the point where it causes the economy to shift from soft

The Pattern of U.S. Construction Starts							
Billions of Dollars							
	2002	2003	2004	2005	2006	2007	2008
Total Construction	504.0	531.9	593.0	668.9	682.5	626.7	614.1
	+2%	+6%	+11%	+13%	+2%	-8%	-2%
Single-Family Housing	214.2	242.3	282.7	315.5	272.4	204.0	197.8
	+15%	+13%	+17%	+12%	-14%	-25%	-3%
Multifamily Housing	34.5	41.0	50.4	68.3	69.6	61.4	56.4
	+5%	+19%	+23%	+35%	+2%	-12%	-8%
Commercial Buildings	59.6	58.9	67.2	72.0	91.4	97.4	91.1
	-15%	-1%	+14%	+7%	+27%	+7%	-6%
Institutional Buildings	90.0	90.4	89.1	99.7	109.8	114.0	118.7
	-1%	0	-1%	+12%	+10%	+4%	+4%
Manufacturing Buildings	5.5	6.9	8.0	10.0	13.3	18.6	16.5
	-31%	+25%	+17%	+24%	+33%	+40%	-11%
Public Works	88.2	83.5	88.2	95.8	112.2	117.9	121.0
	+6%	-5%	+6%	+9%	+17%	+5%	+3%
Electric Utilities	12.1	8.9	7.3	7.8	13.8	13.4	12.7
	-50%	-25%	-18%	+6%	+78%	-3%	-5%

landing to recession. Growth for the U.S. economy in 2007 will come in at 2.0%, and next year will see marginal improvement as the economy expands 2.3%.

Next year's environment will have several negatives for the construction industry. Most notable will be tighter lending conditions, which will further

The credit crunch that emerged at mid-2007 continues to be a major concern for construction and the overall economy.

limit homebuyer demand. More stringent standards have also begun to affect commercial real estate, reducing the volume of property purchases this year, and it's expected that property development will soon be affected as well. In addition, the sluggish economy means job growth will be weaker, affecting demand for apartments and commercial

space. With the steep rise in building materials prices that took place during the 2004-2006 period, costs are now higher, and this has caused some projects to be deferred or redesigned.

On the plus side, financing from public sources will stay generally supportive. The renewed emphasis on infrastructure maintenance and upgrades, particularly in the aftermath of the I-35W bridge collapse in Minneapolis, should help transportation projects continue to see moderate growth. State and local governments at mid-decade were in relatively good fiscal shape, and the large number of bond measures passed in recent years should benefit the institutional building and public works sectors. The growth of public-private partnerships also offers the potential for greater funding. Long term interest rates continue to be low, keeping the cost of financing down even though loan availability is diminished. And the growing prevalence of "green" construction practices means that the demand for sustainable building design and materials will continue to rise.

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Against this backdrop, the overall level of construction starts in 2008 will retreat another 2% to \$614 billion, following the 8% pullback in 2007. The following are the main points for next year's construction market:

- Single-family housing will weaken further, given the large inventory of unsold homes and diminished loan availability to homebuyers. A 3% drop in dollar volume is expected, corresponding to another 6% decline in the number of units to 900,000 (McGraw-Hill Construction basis)
- Multifamily housing will slide 8% in dollar volume and 11% in square feet. Tighter lending standards and the slower absorption of space will contribute to a measured downturn for stores, warehouses, offices and hotels.
- Institutional buildings will rise 4% in dollar volume, while square footage edges up 1%. School construction is expected to strengthen again after its 2007 pause, and transportation terminals are also expected to grow. The other institutional structure types, including healthcare facilities, will see a modest loss of momentum.
- Manufacturing buildings will retreat 11% in dollar volume, after a 40% surge in 2007 that featured the start of several unusually costly projects plus a large number of ethanol plants. Square footage for manufacturing buildings in 2008 is expected to advance 5%.
- Public works construction will move up 3%, following the 5% gain in 2007. Highways and bridges are likely to receive greater funding when fiscal 2008 appropriations are approved. The environmental project types should be up slightly next year, but site work connected to single-family development will settle back.
- Electric utilities will see another modest decline in percentage terms, but essentially this project type is holding at the enhanced level achieved in 2006. **P**

Reprinted with permission from McGraw-Hill Construction's Construction Outlook 2008

Top 20s of Residential Building

A look at 2007 leaders in the Cleveland Metropolitan Statistical Areas

Provided by Trista McClelland, CRM Development Research

Northeast Ohio appraisal firm Calabrese, Racek, & Markos has exclusive and proprietary market research specifically designed for analyzing the residential marketplace. This report has been compiled using data obtained directly from the individual building departments in the eight counties that comprise the Cleveland Metropolitan Statistical Areas (CMSA), including Ashtabula, Cuyahoga, Geauga, Lake, Lorain, Medina, Portage and Summit counties, as well as Stark County. This report covers all housing starts from January 1, 2007 to September 30, 2007. (It does not include any information on apartments.)

CRM Development Research ranks cities, builders, and subdivisions strictly in terms of the number of new homes started and built. This numerical ranking should not be misconstrued as CRM's endorsement of any one particular builder, subdivision or city over another.

As further explanation of category headings, "units" denotes the number of units by permits. **P**

CRM Development Research is located at 1110 Euclid Ave. #300 in Cleveland. Trista McClelland can be reached at 216-696-5442 ext. 403

Top 20 Cities for Housing Starts

County	City	Units
Lorain	North Ridgeville City	218
Lorain	Avon City	131
Medina	Brunswick Hills Township	126
Medina	Montville Twp.	115
Lorain	Avon Lake City	113
Cuyahoga	Cleveland	113
Portage	Streetsboro City	97
Summit	Green City	86
Lorain	Lorain City	85
Lake	Painesville City	84
Summit	Cuyahoga Falls City	81
Cuyahoga	North Royalton	79
Lake	Willoughby City	79
Portage	Brimfield Township	74
Lake	Concord Township	69
Summit	Reminderville Village	69
Cuyahoga	Berea	64
Lake	Mentor City	63
Cuyahoga	Westlake	60
Summit	Akron City	60

Top 20 Home Builders by Housing Starts

Builder	Units
Ryan Homes	953
Pulte Homes	123
Oster Homes	113
Unmistakably Premier Homes	78
Drees Homes	62
Parkview Homes	56
Rysar Properties	56
Petros Homes	51
Gross Bldrs	47
Schumacher Homes	46
Coral Company	44
Kopf Bldrs	31
Moreland Homes	31
Gamellia Const	30
Marous Bros Construction	28
Multi-Builders	27
Dacath Dev	26
Habitat for Humanity	25
Hersh Construction	23
Wayne Homes	23

Top 20 Subdivisions by Housing Starts

Subdivision	City	Units
Meadow Lakes	North Ridgeville City	77
Cobblestone Park	Montville Twp.	70
Willowbrook	Reminderville Village	65
Sandstone Ridge	Berea	62
Autumnwood	Brunswick Hills	53
Heisley Park	Painesville City	50
Westhampton	Westlake	42
Kensington	Twinsburg Township	39
Pleasant Lakes	Brimfield Township	39
Shale Creek	York Township	38
Martin's Run	Lorain City	37
Hidden Lake	Cuyahoga Falls City	35
Bluestone	Cleveland Heights	29
Orchard Trail	Avon City	29
Detroit Shoreway	Cleveland	28
Lake Erie Shores	Painesville Township	28
Willoughby Crossing	Willoughby City	27
Bentley Park	Avon City	26
Liberty Greens	Painesville City	26
Windsor Point	North Ridgeville City	25

2007 – A Blockbuster Year?



ALEC J. PACELLA

The real estate investment market continued to surge in 2007. If you are a frequent reader of this column, you know that the Cleveland market has been on a roll for half a decade. And if you were really paying attention, you know that as far back as 24 months ago, I starting rumbling that 2007 was going to be a blockbuster year.

Looking back, it certainly has been a wild ride, with highs and lows, but were the highs enough to vindicate my bold statement? For the answer to this question and many others, read on.

Cheaper by the dozen

Last year saw a sharp increase in portfolio transactions, both locally and nationally. Some of these were expected but others came totally out of the blue. Leading the list of anticipated portfolio transactions was the sale of Duke Realty's office portfolio. Their eastern suburban properties, totaling approximately 900,000 square feet, were sold in March. Their southern and southwestern suburban properties were in the process of being sold but did not actually close in 2007. And leading the list of unexpected portfolios was the sale of the Geis industrial portfolio. The Cleveland-based owner/developer sold a 10-building, 800,000-square-foot package in December, primarily consisting of properties they had developed in Twinsburg, Oakwood Village and Parma over the years. Cleveland was also the

benefactor from the sale of several large national portfolios that included assets in this market. By far, the largest was the purchase of New Plan Realty Trust by Australian-based Centro Properties Group. Nationally, this encompassed 465 retail properties at a cost of \$6.2 billion – but I'm a simple person at heart and really only care about the local implications. The Cleveland portion of this transaction included nine properties totaling 2.6 million square feet of space and included retail centers stretching from Elyria to Willoughby. Big portfolios typically equal big dollars but was it enough to garner us a big record?

Seismic shift

Last August marked a clear and dramatic turning point for the commercial investment market. Although this event was the subject of my column a few months ago, it was significant enough to merit another mention. So what exactly happened, how did it happen and what has been the effect? For the last several years, the real estate investment market has been on cruise control, with





a dearth of available debt that was both aggressive and plentiful. However in the spring, some subtle signs of trouble began to appear. The housing market was languishing and some of the larger lenders began to limit exposure, particularly in the high-flying but risky sub-prime lending market. Dismissed by most as a minor correction, the industry continued to cruise along, at least until the first week of August. Seemingly overnight, the entire lending market hit the brakes. Some blame the very public outcries by some primary lenders concerning their sub-prime units while others blamed the near free-fall state of the housing market. While no one can pin down the exact cause, the effects were clear. The mortgage industry had changed and the investment market was sure to follow. The mortgage industry changed by becoming much more conservative. Equity requirements that were 5%-10% are now 25%-30% and spreads that were 100 points over prime are now 250 points over. And while S&Ls and insurance companies are still ready and willing to lend, the conduit market has all but closed down. The investment market reacted, but in an interesting way. CAP rates have risen, anywhere between 50 and 100 basis points. And while the sale velocity did slow over the third and fourth quarters, it certainly didn't stop as properties continue to trade. A tougher lending environment, rising CAP rates, slower sales volume – was this enough to derail our run to a record year?

Back to the '80s

A quarter century ago, real estate syndications were all the rage. The idea was fairly simple – a person would put together a deal and then find several partners to co-invest in it. Often, these partners had little involvement in the day-to-day operations of the property; they simply provided a portion of the initial equity and enjoyed future cash flow along with a good dose of favorable tax treatment. Changing tax laws along with the meltdown in the S&L industry, a favored debt source, caused syndications to fall out of favor in the early '90s. As a result, single-entity investors, such as REITs, pension funds and self-funded

private investors, became the dominant force throughout the '90s and early '00s. However, as I reviewed the buyer profiles over the past year, I noticed a recurring trend. Duke's eastern portfolio, Eaton Center, 1100 Superior and the Geis portfolio, among others, were all purchased by partnerships this year and these partnerships bear a striking similarity to syndications. They were formed by a general partner who tapped into a variety of equity sources in the form of limited partners. But the really interesting thing is that many of the individual limited partners were involved in several acquisitions, even though the general partners have been different. And the vast majority are from New York City. So the Big Apple took a big bite out of Cleveland. But was it big enough to spit out a record year?

King of the hill

After taking a back seat to the retail segment over the past few years, the

office segment flexed its collective muscles and worked its way back up to the top spot last year. The sales volume among office properties accounted for 43% of the total investment volume. This compares to a 24% share in 2006 and illustrates not only an elevated interest level in this segment but very solid underlying fundamentals, such as high occupancy rates and increasing rents. All of the sub-segments contributed, but there were several landmark deals that should be noted. The most noteworthy was the aforementioned sale of Duke Realty's suburban office portfolio. Downtown, there were also a few substantial transactions, particularly along Superior Avenue. The north side of Superior saw the sale of 1111 Superior in June while the south side saw the sale of 1100 Superior in December. Collectively, these two office towers accounted for over \$100 million. Finally, again in the suburbs, many in the real estate industry held their collective breath when MBNA

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merged with Bank of America, throwing the future of its Beachwood campus in doubt. However, the economic engine known as the Cleveland Clinic stepped in and purchased the entire 700,000-square-foot campus this past summer. Big shiny buildings usually mean big shiny dollars but was the burgeoning office segment enough to propel us into record territory?

Inside looking out

Try as we might, sometimes it's difficult to have a big-picture view of what is going on nationally or even regionally. It's fairly obvious to see investment dollars flowing into our region from outside investors but this concept goes both ways. Last year continued the growing trend of Cleveland-based investors looking outside this region to invest a portion of their real estate dollars. Favored locations include the Carolinas, Florida, Texas and Arizona. Many see this as a discouraging trend, that locals

are shunning their home turf for outside opportunities. However, my take on this is a bit different. The majority of these investors aren't relocating their headquarters outside of the region. Rather, they are just choosing to invest a portion of the money into other areas. Assuming they are successful, this ultimately benefits Cleveland, as it creates additional jobs and opportunities for the region. A great example of this is Developers Diversified Realty. DDR has enjoyed tremendous growth over the past 10 years and, although it is an active investor in the Cleveland retail market, the majority of its dollars are invested nationally, even internationally. However, DDR continues to maintain its corporate headquarters here and has announced plans to more than double the size of its Beachwood location. By the end of 2008, DDR is expected to have increased its local employment by 57% since '05. So money flowed in

and money flowed out, but did enough money drop to the bottom line to push us over the top?

Okay, enough of my rambling, it's time to lift the curtain. Last year, the real estate investment volume was a touch over... \$1.7 billion. My fingers tremble just typing that number. Putting this in perspective, the volume in '02, when the investment market started to hit its stride, was \$740 million. Three years later, we were shocked when we topped a billion dollars and then repeated that in 2006. But the number achieved last year is staggering, a true landmark number that may never be eclipsed. So my proclamation has been fulfilled but don't fret, as I have no plans to trade in my HP10B for a crystal ball. At least not any time soon. **P**

Alec Pacella is regional manager for First Industrial Trust, Inc. He can be reached by email at apacella@firstindustrial.com or by phone at 216.525.0968.

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What's in the Future for the Ohio Historic Preservation Tax Credit Program?

By Bill J. Gagliano

The year 2007 ended with uncertainty in the credit markets. The impact of the “credit crisis” on financing for commercial and residential projects is expected to last through much, if not all, of 2008. In this tightening credit market, developers are scrambling to qualify for other non-traditional sources of debt and equity financing for their projects.

One source of funding implemented by the State of Ohio during 2007 as a means to fill the credit gap in many innovative development projects was the Ohio Historic Preservation Tax Credit (“Ohio HTC”) program. Announced by the Department of Development (“ODOD”) as a two-year program beginning July 1, 2007, the Ohio HTC was so popular among developers in its initial year that funding for the program’s second round beginning in July 2008 may turn out as “uncertain” as the rest of the credit markets.

The Ohio HTC is a refundable tax credit available to the owner of buildings that are listed on the National Register of Historic Places, located in a registered historic district and certified by the State as being of historic significance, or certified by a local government as an historic landmark.

The credit equals 25% of the “qualified rehabilitation expenditures” incurred in connection with the project and can be applied against Ohio personal income tax, corporate franchise tax and dealer-in-intangible tax liability. The “refundable” nature of the tax means that the taxpayer can receive a cash refund from the State if the Ohio HTC exceeds his or her tax liability.

The Ohio HTC provides a subsidy to fill a financing gap and, with proper planning, can be passed on to investors through a syndication of the project entity. Investors are expected to pay approximately \$0.60 for each dollar of Ohio HTC allocated to them in a partnership or limited liability company ownership structure.

A taxpayer must submit a detailed application to the Ohio Historic Preservation Office with a copy to the ODOD for review. Among the principal

criteria considered by the two agencies are the following:

- The Ohio HTC must be a “major factor” in the decision to rehabilitate the historic structure or to increase the level of investment in its rehabilitation.
- The nature of the rehab work must be consistent with U.S. Department of Interior standards.
- The state and local taxes generated by the project must exceed the amount of the Ohio HTC thus resulting in a “net revenue” gain to the State.

Applications were first accepted on July 1, 2007. Because applications would be reviewed and awarded in the order in which they were received and no more than 100 applications would be approved in each of the two annual

rounds, dozens of applicants camped out in Columbus the weekend before July 1 to be sure that their projects were among the first filed with the State.

As recently as December 21, there were 110 applications filed for the first round of the Ohio HTC program of which 14 applications were withdrawn. Only three of the 96 remaining applications have been deemed “incomplete” and denied as not meeting the requirements of the Ohio HTC program. The rest were either declared “complete” pending approval or issued a “45-day notice” by the ODOD if found to be deficient in some manner or if the department was in need of further information.

The first group of 2007 Ohio HTC awards were announced by the ODOD on November 15. Eleven projects received credit awards having an estimated value of approximately \$35.6

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million. Among those 11 recipients were four Cleveland projects including the 668 Euclid Building (\$16,404,438 of estimated Ohio HTC), the Cleveland Athletic Club Building (\$4,146,600) and the John Hartness Brown Building (\$5,755,800).

Many other Northeast Ohio applicants await announcement of the remaining '07 awards. However, several otherwise eligible projects which were not among the first group to file applications in '07 as well as developers who waited to file in the '08 round may be shut out completely. As enacted, the Ohio HTC program calls for two application periods coinciding with Ohio's current budget biennium: July 1, 2007 – June 30, 2008, and July 1, 2008 – June 30, 2009. By law, the State "shall not approve more than 100 applications in an application period." No dollar limit on the award of credits is set forth in the legislation.

The November 15 press release announcing the first awards referred to the Ohio HTC as the "\$120 million program" thereby raising concerns that the State may elect to apply a dollar limit to the two-year program. This is believed to be what the State budget office originally estimated as the program's maximum cost during the current biennium. To stay under \$120 million, the ODOD may interpret the law as providing the discretion to approve less than 100 eligible applications each year.

An analysis of the currently pending applications shows that a \$120 million limit could be exhausted within the first 51 applications submitted in 2007. Not only would the remaining 2007 applications be shut out, but there would be no money left in the budget for the 2008 application period.

Because the Ohio HTC is an important element of historic rehab projects that otherwise could not be fully funded, interested parties are working diligently to maintain the program for at least the balance of the biennium. Stay tuned in '08 to see the results of those efforts. **P**

Bill J. Gagliano is the chair of the Real Estate Practice Group of Ulmer & Berne LLP, a law firm with offices in Cleveland, Columbus, Cincinnati and Chicago. He can be reached at 216-583-7046 and bgagliano@ulmer.com.

Kemper House Breaks Ground on Memory Care Neighborhood

Kemper House recently broke ground on a new Memory Care Neighborhood. The 15,600 square foot addition will be adjoined to an existing six-year old building. Over 30 people were on hand for the groundbreaking ceremony recently, which included city officials, Chamber of Commerce representatives, D-A-S Construction Co., area health care professionals, staff, residents and family members of Kemper House.

The new neighborhood, named Garfield Court, is being built on the northwest side of the building facing Route 90. When complete, the Memory Care Neighborhood will include 18 spacious suites, a dining room, living room, two enclosed private courtyards and a large community room. It is anticipated that the project will be completed in early summer 2008.

Kemper House is a freestanding, licensed Residential Care Facility dedicated entirely to caring for persons living with memory impairment resulting from diagnoses such as Alzheimer's disease. Located in Mentor, Strongsville and Olmsted Falls, each Kemper House is designed to offer supportive assistance in a warm, home-like setting that fosters a family atmosphere. Kemper Houses are owned and operated by the Kemper family, the Cleveland area's first provider of residential Alzheimer's care. Kemper House also offers respite care and adult day care.



(From left) Frances Saxton, Vanessa Eckliff, Chera Ilnat, staff of Kemper House; Mike Casciato, resident; Betty Kemper, owner; Lynn Hermensky, Elaine Tretinik, Linda Bliss, staff of Kemper House; Brian Ross, project manager of D-A-S Construction Co.

Participants have one hour to build. Upon completion, local construction industry professionals will judge in three divisions by school grade. The local grand prize-winner will compete for regional and national titles.

Contact Pia Foss at (216) 367-8096 to register before the January 28, 2008 deadline. Pre-registration is required to participate in the event. It is also on a first come, first serve basis.

CB Richard Ellis Inks Lease Deal with Cleveland Arena Football League

CB Richard Ellis represented the Owner, UCC (United Church of Christ) Hotel Venture, LLC in a deal to house the administrative offices for the new Cleveland Arena Football League (AFL) franchise team, the Cleveland Gladiators. The Gladiators have moved to Cleveland from Las Vegas, Nevada and their season kicks off on March 3, 2008.

NAWIC Announces Block Kids Program Details

The Knights of Columbus Club 4130 in Garfield Heights is the site for the 2008 Block Kids Building Program sponsored by the National Association of Women in

Construction (NAWIC). The event introduces youth in grades first through sixth to the construction industry. The Block Kids program has gained momentous success over the years and has developed into an annual event since 1990.

On Saturday, Feb. 9, 2008, pre-registered participants will gather at 11 a.m. Each child will build his or her project with loaned materials of 100 blocks and three of the other four items including a rock or stone, a string and a piece of foil or poster board.



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The Cleveland Gladiators will be leasing over 2,400 square feet of office and retail space at 631 Huron Road in downtown Cleveland, next to the Radisson at Gateway Hotel. The space is conveniently located across the street from Quicken Loans Arena, where the team will play its home games. A portion of the space will include a team store that will be open to the public in February 2008. The move-in date was the first week of December and approximately 16 employees are now located at this office.

"We couldn't have secured a better location and look forward to becoming a part of the downtown community and Cleveland sports

scene," says Mike Levy, the Gladiators' general manager.

"Not only is this an excellent location for the Gladiators, it will add another prestigious tenant in the Gateway District, an area that is benefiting greatly from Cleveland sports teams," says Steve Ross, an associate with the CB Richard Ellis Brokerage Services Group, who represented the UCC Hotel Venture, LLC.

KS Associates Appoints Marketing Coordinator

KS Associates, Inc., a civil engineering and land surveying firm, recently announced the appointment of Michelle D. Vibonese to marketing coordinator. Vibonese

is responsible for supporting marketing and business development activities at KS Associates. Her duties include proposal production and management, collateral development, coordination of branding and identity campaigns, database management, internal and external communications, and event planning and coordination.

Vibonese has more than eight years of direct AEC industry experience. Prior to joining KS Associates, she served as senior business development coordinator for an architecture and engineering firm in Cleveland.

Vibonese has a Bachelor of Business Administration degree from Lake Erie College. She is a member

of the Society for Marketing Professional Services (SMPS) and is a contributing writer for a local magazine.

NAI Daus Sells Land Parcels at Diamond Center

Chris Seelig along with Neil Sawicki and Tim Sawicki of NAI Daus, in Cleveland, recently negotiated the sale of two land parcels on Emerald Court at Diamond Center in Mentor. NAI Daus represented the seller, Jim Brown of Classic Auto Group. Hampton Inn will be built on 2.8 acres and Value Place Hotel will be built on 2.65 acres. Diamond

Center Plaza is also home to Atlas Cinemas, Home Depot, Sam's Club, Summerville



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NAI Daus specializes in commercial, industrial and retail sales and leasing in Northeast Ohio and is part of NAI Global, an international commercial real estate network with over 375 offices spanning the globe.



Gina M. Pastuszynski

Real Living Realty One Welcomes Director of Marketing

Real Living Realty One, the largest residential real estate firm in Northeast Ohio with over 160 offices in over 20 states, has recently announced Gina M. Pastuszynski as its director of marketing. In her new role, Pastuszynski will

direct the Real Living Realty One's marketing, advertising and media campaigns as well as implement organizational technology training. She earned her Bachelor's degree in Marketing and Communications from the University of Akron and has an extensive marketing background. Pastuszynski has

held the positions of marketing manager of SuperTrapp Industries, global marketing manager of Ceilcote Air Pollution Control and marketing coordinator of Armstrong Cable and Internet. She is a member of the Historic Warehouse District Communication Committee.

Cooper Commercial Investment Group Announces Streetsboro Property Transfer

The Cooper Commercial Investment Group of NAI Daus in Cleveland recently announced the transfer of the ownership interests in Liberty Corners Shopping Center and Office/Medical

Building located at 9350 Market Square Drive in Streetsboro. The 20,050-square-foot shopping center and 9,585-square-foot office/medical building transferred at a 7.90% capitalization rate. Liberty Corners boasts a tenant mix of national, regional and local tenants including American Family Insurance, Honeybaked Ham, Physician's Weight Loss Center, Life-Force Management, Kent Credit Union, along with many others.

Dan Cooper and Bob Havasi, one of NAI Global's top shopping center and office investment brokerage teams, worked with the local owners, Viking Property Management LLP, to facilitate the transfer

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of their newly constructed Liberty Corners in less than five months. Cooper and Havasi worked with an out-of-state investor to assist in the term of agreement for the exchange of ownership interests in the property.

Tandus Recognizes Cleveland Clinic for Recycling Commitment

Tandus, a leading manufacturer of commercial floorcoverings, has recognized Cleveland Clinic with its Environmental Stewardship Award for its commitment to recycling. Tandus collaborated with the hospital to reclaim 143,518 lbs (13,863 yards) of carpet through the carpet reclamation program

of its C&A Floorcoverings brand.

Christina Vernon Ayers, AIA, LEED AP Director, Office for a Healthy Environment at Cleveland Clinic, accepted the award on the hospital's behalf.

"We focus on sustainable design and energy management throughout the entire lifecycle of our Cleveland Clinic facilities, from acquisition, through construction and in the course of sustaining our buildings," Ayers says. "Protecting and preserving our environment is an absolute priority."

Since its C&A Floorcoverings brand began this closed-loop recycling program, Tandus has diverted more than 110 million

pounds of reclaimed vinyl and vinyl carpet from landfills and incinerators, and turned it back into 100% recycled content backing for its floorcoverings.

Rather than use virgin raw materials, the company buys back old vinyl-backed floorcoverings, regardless of original manufacturer, and its sustainable warranty guarantees that it will be recycled in its entirety.

Real Estate Pro Partners with Youth Organization

Jill M. Katzenberg, a partner at Keller Williams® Realty Greater Cleveland, recently celebrated 25 years as a real estate professional by hosting a client "Gratitude

Gathering" at Anne Van H. Boutique (2026 Murray Hill Rd., in the Murray Hill School).

She has partnered with Youth Opportunities Unlimited (Y.O.U.) President Carol Rivchun for a yearlong commemoration as Y.O.U., Northeast Ohio's largest youth workforce development organization, is also celebrating 25 years of providing service to the Greater Cleveland community.

To launch the collaboration, a donation of 10% of the "Gratitude Gathering" evening's gross receipts at Anne Van H. Boutique went to Youth Opportunities Unlimited. Y.O.U. representatives modeled clothing that evening. **P**



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HOWARD LICHTIG

Commercial Real Estate Fundamentals Remain Sound

The National Association of Realtors (NAR) recently released a report stating that the fundamentals in commercial real estate remain healthy with only slight increases in vacancy rates expected for the office and industrial sectors during 2008, although credit restrictions have recently slowed overall investment activity.

NAR notes that although vacancy rates remain relatively low for all sectors, they are expected to rise slightly in the office and industrial markets during the coming year because much of the space being absorbed is in high-quality buildings or is built-to-suit. There is a fair amount of older space on the market, particularly in the industrial sector where obsolescence is a factor, although industrial rents are showing healthy gains. Vacancy rates in

the retail and multifamily sectors are projected to tighten in 2008 with rents rising in all sectors.

A record \$325 billion was invested in commercial real estate in the first 10 months of 2007, up from \$306.8 billion for all of 2006; that total does not include transactions valued at less than \$5 million or investments in the hospitality sector, based on analysis of data from Real Capital Analytics.

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The NAR forecast in four major commercial sectors analyzes quarterly data for various tracked metro areas. The following are the findings of the forecast.

Office market

With jobs still being created, the demand for office space remains positive and is helping to absorb the more than 30 million square feet of new space becoming available in the current quarter. Investment-grade office properties with solid income streams will be the most in demand by institutional investors, equity funds and foreign investors.

Since not all of the vacated space is being back-filled or leased, office vacancies are forecast to rise to 13.2% by the fourth quarter of 2008 from an estimated 12.9% in the current quarter; it was 12.6% at the end of 2006. Annual rent growth in the office sector should be 8.0% this year and 2.0% in 2008, after rising 5.2% in 2006.

Net absorption of office space in 57 markets tracked, which includes the leasing of new space coming on the market as well as space in existing properties, is likely total 55.4 million square feet in 2007 and 43.0 million next year, but below the 81.2 million in 2006.

Office building transaction volume in the first 10 months of this year totaled a record \$173.5 billion, compared with \$133.5 billion for all of 2006. So far this year foreign investors purchased \$12.5 billion worth of office properties, with buyers from the Middle East and Germany accounting for half of that volume.

Industrial market

The weaker dollar is fueling an increase in exports, but leasing activity has declined in port distribution hubs, and vacancy rates in those markets are edging up; some users are building or renting in secondary markets.

With abundant land and relatively low concerns regarding site remediation, secondary and tertiary markets are experiencing greater interest. In 2007, almost 16% of industrial investment took place outside of the 58 primary markets tracked.

Vacancy rates in the industrial sector are projected to average 9.4% in the fourth quarter and 9.5% by the end of 2008; vacancies averaged 9.4% in the fourth quarter of 2006. Annual rent growth will more than double to 3.3%



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by the end of 2007 and is seen at 1.3% a year from now, compared with a 1.4% annual gain at the end of 2006.

Net absorption of industrial space in 58 markets tracked is expected total 127.4 million square feet in 2007 and 144.0 million next year, down from 205.4 million in 2006. Industrial transaction volume in the first 10 months of 2007 was \$35.8 billion, compared with \$38.9 billion for all of 2006.

Retail market

Even with a decline in consumer confidence, retail vacancy rates remain fairly stable. Declining production of new space will help improve fundamentals in this sector during 2008.

Vacancy rates in the retail sector will probably rise to 8.9% in the current quarter from 8.0% at the end of last year, and then ease to 8.6% by the fourth quarter of 2008. Average retail rent should grow by 2.2% this year and 1.9% in 2008, after rising 3.9% in 2006.

Net absorption of retail space in 53 tracked markets is forecast at 18.6 million square feet for 2007 and 24.7 million next year, up from 10.5 million in 2006.



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Retail transaction volume in the first 10 months of this year totaled \$52.9 billion, exceeding the \$46.9 billion for all of 2006. The Southeast is the most sought-out region this year.

Multifamily market

The apartment rental market – multifamily housing – is experiencing increased demand from the slowdown in home sales. With a rising population and a growing number of households, vacancies are tightening and rents are rising.

Multifamily vacancy rates are projected to average 5.4% in the current quarter, down from 5.9% in the fourth quarter of last year, and then continue to decline to 5.1% by the end of 2008. Average rent is likely to rise 3.1% for 2007 and 3.8% next year, following a 4.1% increase in 2006.

Multifamily net absorption is expected to total 234,400 units in 59 tracked metro areas in 2007, below the 229,500 last year, but should rise to 245,800 in 2008. **P**

Howard Lichtig is the 2008 chairman of the board for the Cleveland Area Board of Realtors.

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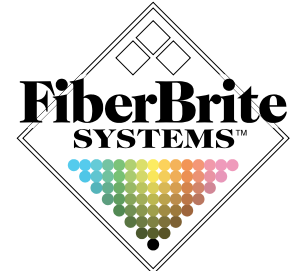


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How Chapter 11 Reorganizations Affect Treatment of Leases for Commercial Landlords

By Stuart Larsen

Business people have heard more and more in recent months about an upcoming credit crunch. Landlords have witnessed some of the impact of this predicted credit crunch in recent chapter 11 retailer bankruptcy filings. Savvy landlords are reviewing the impact of potential tenant bankruptcies on their leases so that they may protect themselves when a tenant seeks to operate in Chapter 11, assign their space to a third party or abandon the space altogether. This article sets forth the basic rules that landlords should keep in mind when a tenant files a chapter 11 bankruptcy case.

What is the automatic stay in bankruptcy? Why does it matter?

Section 362 of the Bankruptcy Code, a provision referred to as the “automatic stay,” precludes a landlord from taking collection action against a tenant/debtor or its property. Prohibited actions include repossessing the leased premises or sending collection letters based on the tenant’s pre-bankruptcy petition defaults. The only exceptions to the stay are in circumstances where:

- the lease has already expired on the date of the bankruptcy filing according to its stated terms, or
- the landlord has already completed all of the steps necessary to remove the tenant from the premises and also terminated its right to possession of the premises pursuant to state law.

Otherwise, a landlord may only evict the tenant or terminate the lease after obtaining permission from the bankruptcy court. In order to avoid possible sanctions by the bankruptcy court, the safe course in attempting to terminate a lease or evict a tenant is always to request permission from the bankruptcy court. Motions for relief from the bankruptcy stay are summary proceedings which the courts rule on in an expedited fashion.

Will the bankruptcy court enforce a bankruptcy termination provision in a commercial lease?

Most every bankruptcy default or termination provision contained in a commercial lease is ineffective in bankruptcy. Section 365(e) of the Bankruptcy

Code prohibits enforcement of lease provisions which alter, modify, or terminate the lease, or any provision in it, based on the fact that the tenant has filed a bankruptcy petition.

What will happen if the tenant attempts to conduct a going out of business sale?

Upon the filing of a chapter 11 case, many debtors seek court approval of procedures for proposed store closing sales. Much to the surprise of landlords, bankruptcy courts routinely permit chapter 11 debtors to override lease provisions and even local laws which prohibit store closing sales. Nevertheless, landlords must be prepared to object to proposed procedures for store closing sales which prejudice the landlord’s legitimate interest in the property.

Should landlords expect to receive monthly payments from a commercial tenant when it files a chapter 11 bankruptcy case?

Chapter 11 debtors are required to timely perform all of their post-bankruptcy obligations under a lease of non-residential property. This includes post-bankruptcy lease payments for rent, real estate taxes and common area maintenance.

What may happen to a commercial lease in bankruptcy?

When a bankruptcy case is filed, the debtor’s leases are essentially in limbo until the debtor decides whether to assume or reject them. A Chapter 11 debtor-in-possession may obtain court approval to: (1) assume the lease, (2) assign the lease to a third party or (3) reject (i.e. breach) the lease.

What is the impact of the three scenarios for treatment of a lease?

- Sometimes landlords must deal with rejection. If the debtor elects to “reject,” or breach, the lease, the landlord is entitled to take possession of the leased premises when the lease is rejected. The landlord possesses a claim in the bankruptcy case for the amounts owed to it. The landlord’s lease rejection claim is treated as a pre-bankruptcy petition breach of the lease. The landlord has a claim for amounts owed on the date of rejection plus the balance owed to it for the remaining term of the lease. Its claim is capped by a statutory formula.
- If the debtor assumes the lease, it is liable for all of its obligations under the lease, just as if the bankruptcy case had never been filed. A debtor assumes a lease with all of its benefits and burdens. However, as a practical matter, the debtor may attempt to renegotiate



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the terms of the lease in exchange for its agreement to assume the lease.

- The debtor may also elect to assume and assign the lease to a third party. Generally speaking, the debtor may assume a lease and assign it to a third party. However, it must: cure any arrearages and other defaults under the lease prior to assuming and assigning the lease; and establish that the landlord will receive “adequate assurance of future performance” from the assignee of the lease. This is usually done by providing evidence of the assignee’s sound financial position.

Significantly, the Bankruptcy Code imposes significant additional obstacles to the assignment of a “shopping center lease.” The debtor must also establish that: (1) the financial condition of the proposed assignee is comparable to the financial condition of the debtor/lessee at the inception of the lease; (2) any percentage rent due under the lease will not decline substantially; (3) the assignment of lease is a subject to all radius, location, use and exclusivity provisions in the lease; and (4) the assignment will not disrupt the tenant mix in the shopping center.

Should the landlord object to a proposed assignment of a lease?

A landlord should consider an objection to a proposed assignment of the lease if it has any concerns regarding the identity of the proposed assignee or its ability to perform under the lease. The objection preserves the landlord’s right to negotiate and, if necessary, litigate. The landlord should also consider an objection to any “cure amount” proposed by the debtor to the extent it differs with the debtor’s calculation of the amount owed.

What happens if the debtor is successful in assigning the lease?

Upon the assignment of the lease, the third party assignee is obligated to comply with all of the terms of the lease, including non-monetary lease requirements on a going forward basis. The debtor is no longer liable for any future obligations under the lease.

How long does a chapter 11 debtor have to decide whether to assume or reject a lease?

Unlike prior law, the Bankruptcy Code now prevents a Chapter 11 debtor from obtaining unlimited extensions of its time period for deciding whether to assume or reject a commercial lease. The Bankruptcy Code requires a chapter 11 debtor to assume or reject a lease within 210 days after the bankruptcy filing, unless the landlord consents to an extension of this time period. This may provide landlords significant leverage in negotiations with a Chapter 11 debtor regarding the disposition of a lease. Debtors may be forced to make decisions regarding leases before they have a clear picture of whether it will be beneficial to assume or reject the lease.

Should landlords always file a proof of claim when a tenant rejects a lease?

Typically, yes. Landlords face a simple decision process when the debtor rejects a lease. The landlord files a proof of claim and attempts to re-let the premises. However, recent bankruptcy court decisions may complicate a landlord’s decision about whether to file a proof of claim when the landlord has obtained a letter of credit as security. Prior case law uniformly treated recovery on a letter of credit as separate and apart from any recovery from the bankruptcy estate. But some recent bankruptcy decisions have taken a different view. A number of courts



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have reduced a landlord's recovery on an unsecured claim in the bankruptcy case based on amounts received on a letter of credit. One court even indicated that it would require a landlord to disgorge amounts it received on a letter of credit in the bankruptcy case. Therefore, a landlord that has obtained a significant recovery on a letter of credit may think twice about filing a proof of claim in bankruptcy if it believes it may be forced to disgorge proceeds received from the letter of credit.

Only time will tell whether, and to what degree, the projected credit crunch will affect retailers and their landlords. However, in the event of a future tenant bankruptcy, a little bankruptcy knowledge may enable a landlord to (1) maximize its recovery in the bankruptcy case, (2) minimize the impact of any lease rejection, or (3) prevent the assignment of its lease to an unwanted third party assignee. **P**

Stuart Larsen is a member of the Canton-based firm Day Ketterer Ltd. and chairs the firm's Bankruptcy Practice Group. He can be reached at slarsen@dayketterer.com.

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Building Community

Mandel Center for Nonprofit Organizations bridges public, institutional environments at CWRU

By John Elliott | Photos by Scott Pease

The Mandel Center for Nonprofit Organizations, founded in 1984, has taken a more visible role in the community it serves, and in the expanding non-profit segment of the nation's and world's economy. With the recent opening of a two-story, 24,000-square-foot building that honors the eclectic architecture of University Circle, the Mandel Center has emerged from its former, largely hidden headquarters to present its diverse educational offerings to the vibrant Case Western Reserve University (CWRU) campus.

The center offers one of the nation's most fully developed programs in nonprofit management, and is a unique multidisciplinary partnership among four schools of Case Western Reserve University – the Weatherhead School of Management, the Mandel School of Applied Social Sciences, the School of Law, and the College of Arts and Sciences. The center bestows a unique degree, the “MNO” (Master of Nonprofit Organizations), along with a

certificate in the same discipline, under the combined auspices of the center and its partner schools.

The \$11 million construction project was funded in part by a \$6.7 million gift from the Mandel Foundation and its partner schools.

The center offers a nationally recognized graduate program focused on developing nonprofit community leaders, conducts research on the nonprofit sector, provides executive education and other non-degree professional development programs, and sponsors a leading journal focused on nonprofit management.

The steel-framed building is also home to the Nonprofit Academic Centers Council, an international membership association comprised of academic centers or programs at accredited colleges and universities that focus on the study of nonprofit organizations, volunteerism and/or philanthropy.

The contemporary building sits on the site of a former community garden on

Bellflower Road, just a block away from Ford Road on the CWRU campus.

Equipped with state-of-the-art technology, classroom and meeting space, the new facility is a big improvement over the former location, which was in the basement of the Cleveland Hearing and Speech Center on Euclid Avenue in University Circle. That space primarily housed the center's administrative offices.

“The Hearing and Speech Center had provided very nice remodeled space for the center, however we outgrew that space,” explains Brenda Marshall, the center's associate executive director. “Students didn't really have much of a reason to come see us since, due to space constraints, our classes had to be held in other locations around campus. We knew we needed a space where we could have our community together.”

Foundation, CWRU recognize need

The Mandel Foundation and CWRU leadership jointly recognized the need

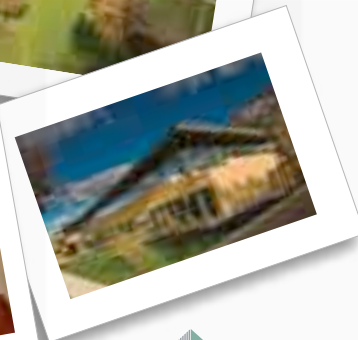
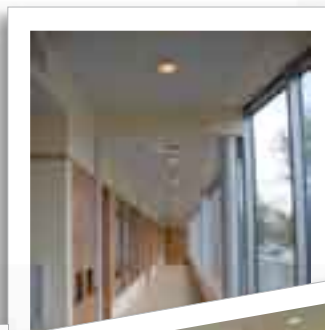
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for a new home and focal point for the center's programs, space for undergraduate and graduate classes, and an opportunity for the community to interface directly with the center's faculty, staff and students.

In 2004 they put together a selection committee comprised of representatives from the CWRU trustees, facilities planning department, the Mandel Center and Mandel Foundation to solicit bids and select an architectural firm. Kallmann McKinnell & Wood Architects Inc., based in Boston, Massachusetts, was selected, and a planning committee of similar representation worked closely with the firm on both the design and the building process.

"After years of hard work and successful growth, the Mandel Center came up out of basement level offices and into this space on Bellflower Road where they will have more visibility and stronger connections to the community," says Margaret M. Carney, AIA, university architect and planner at CWRU. "It's a great site for this particular building, given the relatively small scale of the building, and its programmatic overlap with the community and with graduate and professional schools nearby."

The location was identified due to its ability to bridge the institutional environment of the campus and the residential community that surrounds it. The new building is within view of the Peter B. Lewis building designed by Frank Gehry, a landmark building at the intersection of Bellflower and Ford roads.

Architect identifies building needs

Unlike many older buildings on campus, this building incorporates transparency between the inside and outside as a key design element that is representative of this core value of the nonprofit sector. The quiet, light-filled elegance also symbolically reflects the nonprofit world's concepts of partnership and community.

The building is organized on three levels, with different functions separated by floor. The most public spaces are on the ground level and supported by an outdoor courtyard which can accommodate social functions or classes. This courtyard features a wisteria and clematis laden, mahogany pergola and mature trees, including a magnificent American



Photo by Eric Hansen

LIGHT TOUCH Transparency is used as a design element that is representative of this core value of the nonprofit sector. The quiet, light-filled elegance also reflects the nonprofit world's concepts of partnership and community.

Elm at the garden entrance from Hessler Court.

Selection of an architect for this project was done with great care, given the specialized nature of the Mandel Center's role within the community, and the importance of this site within the campus. After looking at the work of over 30 design firms, there were five contacted that had experience working with institutions and universities.

Carney says the selection of Kallman McKinnell & Wood as designers was based on their ability to design buildings which represent the institutions for which they were designed, and which were heavily influenced by the physical context in which they were built.

"[They] have designed many unique buildings which are contemporary in their style and which also integrate well within existing contexts," she says. "Given the eclectic nature of University Circle and especially the CWRU campus, we felt this was an important criteria for selection."

She says the building is "distinctly contemporary," not imitative of any other building, yet fits well within the predominantly residential neighborhood of buildings that date from 1910 to 1930. Kallmann McKinnell & Wood did an excellent job listening to their functional as well as aesthetic needs, she says.

"They were totally committed," she says. "They really took this relatively small building under their wing and created a special place in which the work

of the Mandel Center will thrive. It's everything we hoped for in the sense that it complements the neighborhood, links academic and residential quadrants of the campus, and bridges the gap which used to exist between this part of the university and the community."

She said the Mandel Center is one of only two such centers that is not actually "anchored" in a specific college or school at CWRU, but is a university center which reports to the provost, and which partners with each of the schools within the university.

The design of the building and its landscape has literally led to the removal

of fences and barriers between the university and the neighborhood.

"The Mandel Center is all about education, socialization, interaction and bringing people together," Carney says. "The transparency created in this building and its landscape is critical to the mission of the Mandel Center, and is becoming a very important element in all the university buildings we build nowadays."

Architect identifies building needs

Martin Dermady, the project architect for Kallmann McKinnell & Wood Architects, says the building serves three



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activities: education, research and community services.

“It was important that there was a sense of collaboration and team work,” Dermady says of the planning process. “We looked at a number of iterations until we got the one that is just right.”

Dermady says the committee wanted the building to blend in with the existing neighborhood, preserve the natural views, and create a comfortable work environment.

“We were very careful about how we integrated the building into the neighborhood,” he says. “It’s quite a mixture of architectural styles on the street.”

In deference to the surrounding buildings, the team opted for a light colored brick for the building’s exterior. Dermady said many of the area buildings have light, pale orange-colored wood. The interior features American beech because it is a middle range colored wood. Cherry would have been too dark and maple too light.

The team also took the neighborhood buildings into consideration when deciding to go with two stories and a basement, Dermady said. He said putting the mechanical and utility functions in the basement was a more expensive option than adding another level, but it allowed the building to better integrate with existing structures. The basement also houses an expansive storage area containing shelves with electrical locks, as well as wooden lockers for students. Vending machines will be added soon.

Ground broke in July of 2006. The first floor classrooms were open in time for students this fall, but the second floor was not completed until October.

Steve Phillips, project manager for The Albert M. Higley Co., the construction manager, says there were access



NATURAL CHOICE Outside, a vined pergola outfitted with electrical lamps extends along the border between the building and the outdoor garden.

restraints because of the closeness of surrounding buildings and no equipment was allowed on Hessler Court. He says the trades had to be staggered.

“It was constant coordination by our superintendent,” Phillips notes.

“We have been very fortunate in having an outstanding group of individuals in every regard,” says Susan Eagan, the center’s executive director, adding that the committee made it a point to involve the local community in the project, recognizing its historical importance.

Design complements neighborhood

Marshall agrees with Carney that the design that Kallmann McKinnell & Wood came up with is unique and complements the neighborhood buildings.

“They really had a good way of tying seemingly different architectural elements to make everything work well,” she says.

From an urban planning perspective, the intent was for the building to adapt to the scale of the residential neighborhood and assert itself as a distinctive institution on the campus. The exterior features extensive glazing to bring natural light into the interior spaces and reveal the activity and energy of the center. Exterior materials of granite, limestone, sand-struck brick, glass and zinc are utilized for their durability, warmth of color and timeless qualities.

“We felt that having a building whose design is transparent would really combine with the values of the center,” notes Eagan.

The classrooms are designed for flexibility to accommodate alternative seating configurations for seminar, lecture or workshop purposes and fitted with state-of-the-art audio visual capabilities. The administrative offices are designed to promote teamwork and collaboration.

Pergola highlights outdoor garden

A vined pergola extends along the border between the building and the outdoor garden, which faces both Bellflower Road and Hessler Court.

“It’s a space that relates to Hessler Court,” Dermady, the architect, notes. He says the wisteria and clematis vines will bear lavender and red flowers, respectively, come spring.

Mounted atop cylindrical concrete bases, pergola posts also each contain tube-shaped electrical lamps for outdoor illumination.

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Photo by Ken Koych

LINKED LEARNING Classrooms have state-of-the-art audio-visual equipment, Web-based technology and white boards.

The garden lawn includes three trees planted for each of the three Mandel brothers, Jack, Joseph and Morton (whose photograph greets visitors in the reception lobby.)

A sculpture on the lawn was done by Joseph Mandel. The garden separates the building on the south side from historic Hessler Court, a wood brick road that is designated as a historical site on the National Register of Historic Places.

Interactive learning spaces

A main reception area greets visitors to the building, which faces Bellflower Road. A window runs the full length of the building, extending from the reception desk to a hallway leading to classrooms, and a wood bench borders the window's entire length.

"This is a way people naturally and quite comfortably can chat," Eagan says. "We didn't know which would be the preferred modes of pedagogy 10 years from now, and so we designed the classroom for maximum flexibility."

A large lecture hall and four classrooms occupy the street side of the building.

Various meeting spaces are clustered around a central lobby, enabling different events to take place simultaneously.

One flexible classroom seats 35 while two others seat 25. All have built-in video screens and state-of-the-art audio-visual equipment, Web-based technology and white boards. Sliding window shades allow for privacy as needed. The fourth classroom is designed like a theater with



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eight rows of tiered chairs that can accommodate 100 students. (“This is the most technologically advanced room in the building,” Marshall says.) The audio and visual capabilities enable distance learning, video conferencing and recording. The room has a sloping floor, drawing attention to a white board and a lectern. The seats are movable, allowing students to share a table with the next row. In this and the other classrooms, a projection screen built into the ceiling can drop down across the front wall and still allow some of the white board to be exposed to the room, making for highly flexible instruction options.

Natural light and garden views

Each meeting space, as well as the porcelain tiled lobby area adjacent to the outdoor garden, provides natural light and views of the garden all year long.

One conference room features modular furniture, including movable chairs, and plasma screens that can be computer activated.

A portable video conferencing cart allows for long-distance conferencing from any part of the building.

“We want to be able to draw upon resources nationally and internationally,” Eagan says.

A fully equipped kitchen on the first floor supports catered functions and can be accessed via a side entrance.

Student lounge: the social heart

The social heart of the center is a student lounge designed as a place to draw people together. The rectangular lounge is positioned at the nexus of activities within the building, overlooking the garden through a glass wall.

It features an inglenook with fireplace and beech-wood paneling for warmth and comfort, lounge seating for socializing purposes and reading table seating for study purposes. There are three large bell-shaped lamps suspended from the ceiling.

Faculty and administration offices

The building’s upper level contains the faculty and staff offices, created as a non-hierarchical mix of office types and sizes clustered together in a way that enables teamwork and interaction.

A large wood paneled reception desk greets visitors as they enter the office area from the elevator or the stairwell.

Enclosed offices, all the same size and configuration, are adjacent to the open office area, which has windows on all sides beneath a sloping ceiling.

One side of the second floor overlooks the pergola-lined courtyard while the other houses the private offices, which have nine-foot doors.

“We didn’t want to create office settings that fit a particular model,” Eagan says. “We’re really trying to build teamwork and collaboration, and to allow

for maximum flexibility as the center’s needs change over the years.”

The wall overlooking the courtyard has shelves that extend to the windows that allow for convenient filing.

While there is an abundance of natural light, the open office area also features large silver bullet lamps suspended from the ceiling. All lights in the building are motion activated to conserve energy.

Most of the furniture throughout the building is made by Knoll, as are the open office workstations. Herman Miller chairs are used in the second floor office spaces.

The open office area has work tables and partial glass partitions to allow for some privacy.

“We wanted to avoid people feeling hemmed-in in the open work space,” Eagan says.

The private offices have movable tables. These second floor spaces offer ample views of Bellflower Road.

A staff lounge provides respite for staff and faculty. It offers a full working kitchen with a Corian countertop serving area.

“We wanted a homey environment for people who work and study here,” says Marshall.

The lounge has Knoll sofas, tables and chairs, cushioned chairs that were selected following trips to the Chicago Merchandise Mart. The lounge overlooks a “green roof garden.”

Green roof garden

The green roof garden, complete with a walkway, is the first of its type on campus, adding a sense of privacy and connection to the outside world.

“It’s a nice way of connecting with the residential neighborhood,” Eagan explains.

The base of the roof garden is a hard wood. A wood rail encloses the outdoor area along pink-colored limestone edges over a concrete foundation. An abbreviated hardwood wall makes for a bench that outlines much of the roof garden.

The basement houses a big storage area containing shelves with electrical locks, wooden lockers for students and utility rooms. There will soon be a student break room with vending machines as well.

“We’re just delighted with the way the building turned out,” Dermady says. **P**



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Ohio Supreme Court Provides Guidance in Subsidized Housing Assessments

By Kieran Jennings

Low-income housing and multi-family housing in general have suffered increased expenses from many different sources. At the same time, taxing authorities are facing shortfalls and are trying to raise taxes. By acting before the tax complaint deadline of March 31, 2008, owners of Section 42 housing projects and any subsidized projects have the ability to not only ward off increased taxes but to reduce excessive taxes.

In many ways subsidized housing is no different from other multi-family housing. Utility costs have continued to rise, insurance costs have almost doubled and property taxes continue to rise. Furthermore, these increased expenses do not add to the life of the property or to its desirability. Fortunately, at least one of these costs can be controlled.

Real estate taxes are one of the few controllable expenses that can be reduced when all other costs are rising. The devil however is in the details. Because Section 42 housing by its nature is not uniform from project to project, it should not be surprising that there are several schools of thought about how they should be assessed. Ohio has over the years recognized that in order to uniformly assess subsidized property that the income and expenses of the project must reflect market rents and expenses. The thought behind those decisions is that the actual income and expenses reflect not just the value of the real estate but also the effect of the government inducement to build and operate low-income housing. In September, the Supreme Court strengthened that line of cases by holding that an income approach that uses market rents and expenses is preferable than a cost approach, even without a full accounting for vacancy loss.

What the Court did not discuss is whether the sale price of a subsidized property would be reflective of value. Although the current case law indicates that an arms-length sale of a property should be used to determine its assessment, this case may strengthen the proposition that like the cost approach, the purchase of a subsidized project

Real estate taxes are one of the few controllable expenses that can be reduced when all other costs are rising.

includes other inducements reflecting a higher than market value and should not be relied upon.

Due to the fact that properties built with low-income housing credits generally require incentives to make the investment economically feasible, the costs of construction often are greater than their fair market value. Unfortunately, it is not uncommon for auditors to use costs of construction to establish assessments on newly renovated or constructed buildings, leaving a great number of low income housing projects over assessed. And reducing the assessments on can be a challenge.

Ideally, the auditor should look to the income potential of the property

given its market rents and often-higher expenses, due in part to heightened scrutiny not present in conventional housing. The operating cash flow before taxes and debt service and depreciation is then divided by a suitable capitalization rate and the value is established.

Finally, it is true that by increasing the tax burden on restricted properties, the assessor is working counter to the state and federal government in their attempt to encourage affordable housing. This argument may be used either as common sense persuasion or as part of a legal theory.

The issues relating to subsidized housing assessment are varied. Some of the steps necessary to challenge your tax assessment can be presented informally resulting in a decrease in taxes. Others present more of a legal challenge and will require strong local representation. In any case assessments should be reviewed in order to ensure that the project is efficiently managed and that there is adequate cash flow necessary for continued success of the program. **P**

J. Kieran Jennings is a partner in the law firm of Siegel Siegel Johnson & Jennings Co, LPA with offices in Cleveland and Pittsburgh. The firm is the Ohio and Western Pennsylvania member of the American Property Tax Counsel, the national affiliation of property tax attorneys. He can be reached at kjennings@siegeltax.com.

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CONSTRUCTION PROGRESS REPORT

Updated info on important projects in the region

PN-S1214051

CHURCH ADDITION & RENOVATIONS

Cleveland Heights, OH (Cuyahoga Co.) 3181 Fairmount Blvd.

CONTRACTING METHOD: G.C. Bids (By Invitation Only)

STATUS: Planning is preliminary; bid schedule to be determined.

OWNER: First Church of Christ Scientist - Cleveland Hts

3181 Fairmount Blvd.
Cleveland Heights, OH 44118
(216) 321-6995

ARCHITECT: Makovich & Pusti Architects

111 Front Street
Berea, OH 44017-1506
www.mparc.com
mparc@mparc.com
(440) 891-8910 FAX (440) 891-0086

DETAILS: SF to be determined; one-story addition; new entry porch, steps and canopy; new entrance drive to the parking and parking lot modifications.

PN-S0829020

LOVE'S TRAVEL CENTER

Conneaut, OH (Ashtabula Co.) SW Corner I-90 & Rt 7

CONTRACTING METHOD: G.C. Bids (By Invitation Only)

UPDATE: Announcing Engineer; construction possible spring 2008.

DEVELOPER: Love's Travel Stops & Country Stores

10601 N. Pennsylvania
Oklahoma City, OK 731204108
(800) 388-0983

ARCHITECT: Pascal Aughtry & Associates

7416 Broadway Ext Ste L
Oklahoma City, OK 73116
(405) 848-2855

ENGINEER: Lewis Land Professionals

1219 High Street Suite 108
Wadsworth, OH 44281
(330) 335-8232 FAX (330) 335-0242

DETAILS: Approx. 6,500 - 8,000 SF; convenience store; fast-food restaurant; gas outlets; shower rooms; laundry facilities; game rooms and mail drops.

PN-R0124014

NEW PARKING STRUCTURE

Cleveland, OH (Cuyahoga Co.) Cornell Road

ESTIMATED AMOUNT: \$22,300,000

CONTRACTING METHOD: G.C. Bids (By Invitation Only)

UPDATE: Announcing C.M.; bid schedule to be announced.

OWNER: University Hospitals Health System

11100 Euclid Avenue
Cleveland, OH 44106
(216) 844-1000

ARCHITECT: OWP/P Architects-Chicago

111 West Washington Street
Ste 2100
Chicago, IL 606022714
(312) 332-9600

C.M.: Gilbane Building - Cleveland

1621 Euclid Avenue #1830
Cleveland, OH 44115-1303
www.gilbaneco.com
cleveland@gilbaneco.com
(216) 771-6100 FAX (216) 771-6491

DETAILS: 835 spaces with long horizontal slits; structural steel; concrete; masonry; electrical; painting; elevator; doors.

PN-S1214050

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ESTIMATED AMOUNT: \$2,294,484

CONTRACTING METHOD: Public Bids

STATUS: Architectural Services RFP's due January 11, 2008 at 5:00 PM.

OWNER: Cuyahoga Community College
700 Carnegie Avenue
Cleveland, OH 44115
www.tri-c.cc.oh.us/
(216) 987-4781 FAX (216) 987-4758

DETAILS: Project No. 4105
Review and renovate portions of the approximately 12,000 square feet of the Dental Hygiene area including the Dental Hygiene Clinic, Laboratory, Reception area and Staff/Faculty Offices. These areas are located on the first floor of the Science and Technology Building (Building A) at the Metropolitan Campus; demolition and renovation of the required areas; there may also be asbestos abatement issues that need to be addressed as part of this project. Ventilation for toxic materials utilized, adequate drainage in sinks used for cleaning plaster molds and flow of work in the limited space are of primary concern in the Lab. One additional faculty office is required as well as storage and conference areas. An adjacent area may need to be taken over to increase available space for the lab, leading to displaced users requiring other space. New lab benches with sinks, gas outlets, air and built in power are required. The air compressor and furniture will be replaced. New finishes in the renovated spaces will be required. New audio-visual equipment at the Lab and Clinic and new computers with digital radiography will be added at the Clinic stations.

POC: R. Douglas Myers, District Director for Project Management, Capital & Construction, (216) 987-4882.

PN-R0614070

NEW POLICE STATION

Chagrin Falls, OH (Cuyahoga Co.)

ESTIMATED AMOUNT: \$5,700,000

CONTRACTING METHOD: Public Bids

UPDATE: Architectural Services RFPs have been received; award to be announced; owner could seek a bond in 2008.

OWNER: Village of Chagrin Falls
21 West Washington Street
Chagrin Falls, OH 44022
(440) 247-5050

CONSULTANT: Home & King Architects
7219 Sawmill Road, Suite 106
Dublin, OH 43016
www.homeandking.com
(614) 766-6711 FAX (614) 766-6713

DETAILS: Approx. 27,000 SF; offices; dispatch area; restrooms and locker rooms; possible firing range; sitework; concrete; masonry; HVAC; doors and hardware; glass and glazing; electrical; drywall; toilet and bathroom

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PN-S0725058

AUSTIN HALL OF SCIENCE RENOVATION

Painesville, OH (Lake Co.) W. Washington Street

CONTRACTING METHOD: To Be Determined

STATUS: Owner has received approval; completion of project possible 2010.

OWNER: Lake Erie College
391 W. Washington Street
Painesville, OH 44077
www.lakeerie.edu

(440) 352-3361

ARCHITECT: Westlake Reed Leskosky
925 Euclid Avenue, Suite 1900
Cleveland, OH 44115
www.wrlsdesign.com

(216) 522-1350 FAX (216) 522-1357

DETAILS: Interior and exterior renovations; new equipment; state of the art classrooms, laboratories, and lounge areas; latest computer technology; sitework; thermal and moisture protection; foundations; concrete; windows and doors; wood and plastics; finishes; specialties; HVAC; electrical; plumbing; mechanical; additional details to be determined.

PN-S1211131

LAGOONS NATURE PRESERVE & MARINA IMPROVEMENTS

Mentor, OH (Lake Co.)

CONTRACTING METHOD: Public Bids

STATUS: Owner may seek bond issue on March 2008 ballot.

OWNER: City of Mentor
8500 Civic Center Boulevard
Mentor, OH 44060
www.cityofmentor.com
(440) 255-1100

DETAILS: Nature center; security fencing; gas dock; new restaurant; handicapped accessible boardwalks and observation decks; new entrance off Lake Shore Boulevard; removal of nonnative invasive vegetation.

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PN-R0804047

TARGET STORE

Bridgeview Crossings

Garfield Heights, OH (Cuyahoga Co.) I-480, Granger Road & Transportation Blvd.

CONTRACTING METHOD: G.C. Subcontracts

UPDATE: Owner has signed with developer; announcing G.C.

OWNER: Target Stores
1000 Nicollet Mall
Minneapolis, MN 55403
(612) 304-6073

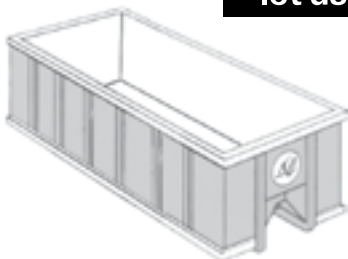
DEVELOPER: Snider-Cannata Interests
5595 Transportation Blvd.

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ARCHITECT: Mulvanny G2 Architecture
601 SW Second Ave
Suite 1200
Portland, OR 97204
(503) 223-8030

G.C.: The Darden Company
5055 Corbin Drive
Bedford Heights, OH 44128
www.thedardencompany.com
rjdarden@adelphia.net
(216) 475-2020 FAX (216) 475-2704

DETAILS: 145,000 SF; one-story building; steel frame; concrete block and brick; masonry; concrete slab; mechanical; electrical; plumbing; HVAC; fire equipment; painting; drywall; tile; finishes.

PN-S1210017

HOTEL

Great Lakes Technology Park

Elyria, OH (Lorain Co.) Abbe Road

CONTRACTING METHOD: To be announced

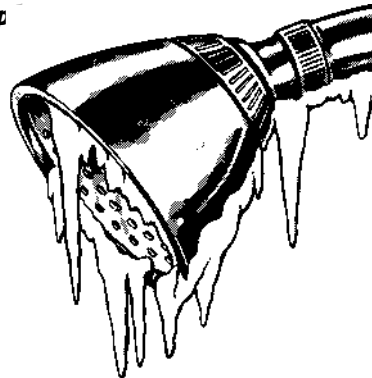
STATUS: Owner is currently seeking Developer RFPs for a hotel to compliment the Great Lakes Technology Park; Developer RFPs due January 25, 2008 and are available on Owner's website at www.lorainccc.edu/purchasing.

OWNER: Lorain County Community College
1005 North Abbe Road



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www.jvjanitorial.com

Elyria, OH 44035
www.lorainccc.edu
(440) 365-5222

DEVELOPER: Not yet selected

DETAILS: Development of a quality hotel as a three-party commitment: the College as Owner, the Developer as Design-Build Contractor, and an Hotelier as the professional management provider of the hotel.

PN-50827075

POLICE DEPARTMENT ADDITION/EXPANSION

Solon, OH (Cuyahoga Co.) Solon Rd

ESTIMATED AMOUNT: \$125,425

CONTRACTING METHOD: Public Bids

UPDATE: Announcing architect; bidding possible February/March 2008; owner still seeking funding.

OWNER: City of Solon
34200 Bainbridge Road
Solon, OH 44139
www.solonohio.org
(440) 248-1155

ARCHITECT: Brandstetter/Carroll/Zofcin - Cleveland
820 W. Superior Avenue, Suite 800
Cleveland, OH 44113
www.brandstettercarroll.com
(216) 241-4480 FAX (216) 738-7155

C.M. (NOT SIGNED): Infinity Construction
18582 Cranwood Parkway
Warrensville Hts., OH 44128
www.infinityconstruction.com

(216) 663-3777 FAX (216) 663-3778
DETAILS: Storage building/multi-use area; security system; wood or metal; free standing; sitework; thermal and moisture protection; finishes; specialties; windows and doors; metals; HVAC; electrical; plumbing; foundations; concrete; masonry; additional details to be determined.

PN-51203094

RIDE-THEMED RETAIL COMPLEX

Aurora, OH (Portage Co.)

CONTRACTING METHOD: To Be Determined

STATUS: Owner seeking a developer; project is preliminary.

OWNER: American Coaster Enthusiaster

1100-H Brandywine Blvd
Zanesville, OH 437017303
(740) 450-1560 FAX (740) 450-1560

DEVELOPER: To Be Determined

DETAILS: Construction of the ride-themed retail complex around the 82 year old Big Dipper; sitework; concrete; masonry; plumbing; electrical; HVAC; finishes; specific details to be determined.

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Exits Identified Clearly

- Ultra-bright E-X-I-T grabs attention.
- Leads people to exit door.

Architectural Design

- Professional look and feel.
- Perfect for any application.
- Choose aluminum or framed PVC.

25-Year Warranty



Positive Legend



Negative Legend



Field Applied Chevrons



Return on Investment (ROI)

See your own Return on Investment by downloading the ROI calculator at www.jaliteusa.com/roicalculator.php. Published by the EPA, this easy-to-use tool enables you to confirm the savings based on your facility's specific energy costs and number of exits. For example, a small facility with 50 conventional exit signs and a competitive electrical cost of \$0.12/kwh is projected to save \$3,488 every year! Given a life of 25 years, the energy savings becomes \$87,200 - assuming no increase in energy cost over that period of time.

CODES & STANDARDS

- UL 924 listed by the Underwriters Laboratory
- NFPA 5000 / NFPA Life Safety Code 101
- IBC 2000 / 2003
- Uniform Building Code - 1997
- Energy Star® listed
- OSHA 1910.37
- Standard Building Code - 1999
- BOCA National Building Code - 1999

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