

# Personal View: Opportunity Exists in City's Campus District

By Ashley Gault

This article originally appeared in *Crain's Cleveland Business* on February 24, 2019 at:  
<https://www.crainscleveland.com/opinion/personal-view-opportunity-exists-citys-campus-district>.



**A recent national [report](#) examining the more than 8,700 Opportunity Zones spanning the United States ranked the Campus District in Cleveland second for multifamily property, behind only New York City.**

The Campus District is sandwiched between downtown and Midtown Cleveland. Bounded by East 18th Street and Davenport and Carnegie avenues, with Lakeside, St. Clair and Chester avenues running through the middle, it includes Cleveland State University, the Wolstein Center, Hilton Garden Inn, Plain Dealer Publishing Co. and Cuyahoga Community College district administrative offices.

[Opportunity Zones](#), which were part of President Trump's 2017 tax overhaul, are not all created equally and have varying potential for new business and real estate investment. This leads investors to ask which Opportunity Zones have the best potential to yield the greatest returns. Locus, a national coalition of real estate developers and investors that advocates for equitable development, helps answer this question.

Locus ranked Opportunity Zones on the basis of rents for three property types: office, multifamily and retail. With Cleveland's multifamily properties asking rents at \$2.96 per square foot, Cleveland beat out other Opportunity Zones, shining at the No. 2 spot on a national scale. At the state level, Ohio ranked among the highest, boasting a large share of top-scoring Opportunity Zones. Other front-runners were New York, California, New Jersey, Maryland and Pennsylvania.

By using a bottom-line prescriptive, Locus created filters for investors to identify which Opportunity Zones should be prioritized for investment to deliver positive economic, environmental and social returns. The report applied two main filters to rank Opportunity Zones: the Smart Growth Potential Filter and the Social Equity Filter.

The Smart Growth Potential Filter measures demand for commercial and residential space. Using this filter, the report scored the Opportunity Zones using four metrics: walkability, job density, housing diversity and distance to the nearest business district. When scoring this category, the Campus District ranked No. 4, demonstrating that this Cleveland neighborhood has the bones to become a vibrant place to live, work and play.

The Social Equity Filter measures location affordability. The report also used a four-part variable to score Opportunity Zones using this filter: transit accessibility, housing and transportation affordability, diversity of housing among renters and owners, and the Centers for Disease Control's social vulnerability index (which considers unemployment, single-parent households, poverty, multifamily housing, etc.). Using this filter, the Campus District ranked No. 9. By looking at who currently lives in Cleveland's Campus District, the report predicted the area could absorb more investment, thereby generating a positive social return.

In conjunction with George Washington University, Locus in 2016 published the [Foot Traffic Ahead Report](#), which studied walkable urban places in America's largest metropolitan areas.

The report concluded that walkable urban places (defined by sidewalks, mixed-use property and emerging uses such as an apartment over a ground-floor grocery store) command a 74% price premium over their drivable suburban competition (defined by segregated real estate uses and using cars as the main transportation mode).

This suggests a high demand for walkable urban places. Further, the Foot Traffic Ahead Report finds the most walkable metropolitan areas are also the most educated (as measured by college graduates over 25 years of age), wealthy (as measured by higher GDP per capita), and socially equitable (as measured by housing costs, transportation costs, and access to employment).

According to the report, this correlation suggests that low transportation costs and better access to employment absorb the higher costs of housing.

The U.S. Treasury estimates that at least \$1 trillion will be invested in Opportunity Zones over the next 10 years. According to Locus, if this figure proves to be accurate, Opportunity Zones will be the single largest community development initiative undertaken in the last 30 years. Locus predicts that opportunity funds will initially invest in real estate investment projects (as opposed to an investment in the business) given the real estate industry's knack to pinpoint and underwrite projects quickly. Due to the demand for walkable places and the time requirements for qualified Opportunity Zone investments, Locus forecasts that the shovel-readiness of real estate projects will dictate the areas of investment. With the projected pipeline of investment from opportunity funds, Cleveland's paused developments of the past may be pushed into construction mode, and we could see more cranes swinging this spring.

Locus anticipates that the challenge cities like Cleveland will face will be in ensuring that future development does not displace current businesses and residents, thereby encouraging urban sprawl. By attracting diverse equity partners and pooling existing community dollars, Locus believes communities will be able to develop investable programs that create long-term housing and transportation affordability while accelerating job creation.

Locus also recommends cities like Cleveland be inclusive with development planning to ensure community buy-in. This will encourage the right mix of housing and uses near transit, which will ultimately enhance the investment's potential to meet the social and environmental goals. Other Locus recommendations include affordability restrictions, tenant opportunity to purchase and tenant protections for current residents and businesses.

What makes Cleveland stand out among the rest? The report recognizes Cleveland's potential to retrofit its community and build an environment to foster equality and equitable investment into a thriving community. And with 320 Opportunity Zones in Ohio and 18 in Cleveland, that says something special about our state and city.



*Ashley Gault is a real estate attorney at Tucker Ellis LLP.*

