

The Cap at Union Station

Columbus, Ohio

Project Type:
Commercial/Industrial

Case No:
C035010

Year:
2005



SUMMARY

The Cap at Union Station is a \$7.8 million retail development that reconnects downtown Columbus, Ohio, with the burgeoning Short North arts and entertainment district. Opened in October 2004, the project effectively heals part of a 40-year scar that was created by the construction of the city's Interstate 670 (I-670) inner-belt highway. Composed of three separate bridges—one for through-traffic across the highway, and one on either side for the retail structures—the Cap provides 25,496 square feet (2,369 square meters) of leasable space, transforming the void caused by I-670 into a seamless urban streetscape with nine retail shops and restaurants. While other cities like Seattle and Kansas City have erected convention centers over urban highways, the I-670 Cap is one of the first speculative retail projects built over a highway in the United States.

FEATURES

- Infill Development
- Main Street Design
- Pedestrian-Oriented Development
- Public/Private Partnership

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LOCATION

Central City

SITE SIZE

1.12 acres/0.45 hectare

LAND USES

Lifestyle/Entertainment/Specialty Center

KEYWORDS/SPECIAL FEATURES

- Infill Development
- Main Street Design
- Pedestrian-Oriented Development
- Public/Private Partnership

DEVELOPER

Continental Real Estate Companies
The Empire Building
150 East Broad Street, Suite 200
Columbus, Ohio 43215
614-221-1800
Fax: 614-221-6365
www.continental-realestate.com

ARCHITECT

Meleca Architecture and Urban Planning
The Empire Building
150 East Broad Street, Suite 600
Columbus, Ohio 43215
614-224-0343
Fax: 614-224-0890
www.melecaarchitecture.com

CITY ATTORNEY

Columbus City Attorney
90 West Broad Street
Columbus, Ohio 43215

614-645-7385

Fax: 614-645-6949

www.columbuscityattorney.org

STRUCTURAL ENGINEER

Jezerinac Geers

5640 Frantz Road

Dublin, Ohio 43017

614-766-0066

Fax: 614-766-1223

www.jgaeng.com

HISTORIC PRESERVATION

Jeff Darbee/Nancy Recchie

Benjamin D. Rickey & Company

593 South Fifth Street

Columbus, Ohio 43206

614-221-0358

Fax: 614-464-9357

GENERAL DESCRIPTION

The Cap at Union Station is a \$7.8 million retail development that reconnects downtown Columbus with the burgeoning Short North arts and entertainment district. Opened in October 2004, the project effectively heals part of a 40-year scar that was created by the construction of the city's Interstate 670 (I-670) inner-belt highway. Composed of three separate bridges—one for through-traffic over the highway, and one on either side for the retail structures—the Cap provides 25,496 square feet (2,369 square meters) of leasable space. The void caused by the highway—called an “engineered gash” by *New York Times* architecture critic Herbert Muschamp—has now been transformed into a seamless urban streetscape. While other cities like Seattle and Kansas City have erected convention centers over urban highways, the I-670 Cap is one of the first speculative retail projects built over a highway in the United States.

Local developer Continental Real Estate Companies, which has more than 60 years of experience building urban infill retail and residential projects and standard suburban commercial developments, built the Cap. Continental became involved with the project after the surrounding neighborhood rejected the Ohio Department of Transportation's proposal to construct a hardscape park over the highway as part of a four-lane expansion project. The firm, which at the time owned a 118-unit apartment complex 150 yards (137 meters) north of the existing overpass, knew that a bridge with retail uses on either side would better serve the neighborhood and decided to pursue the project.

The success of the project hinged on more than just a committed and civic-minded developer. Initially conceived in 1996, it took years of effort by municipal and state officials and neighborhood organizations to keep the momentum for the complicated project going. There was no model to follow in the construction of the Cap, but now the developer, city leaders, and even the state's highway engineers think that the project could easily be replicated in other cities that have had their urban fabric disrupted by highways.

SITE AND DEVELOPMENT PROCESS

The Cap is located just north of downtown Columbus along High Street, the city's main north-south thoroughfare. To the north of the Cap are the revitalized Short North arts and entertainment district and the Italian Village and Victorian Village neighborhoods. Ten blocks north of the Short North is Ohio State University, one of nation's largest institutions of higher education. Directly south of the Cap are the Annunciation Greek Orthodox Cathedral and the Columbus Convention Center. Further south is the Arena District, home to the National Hockey League's Columbus Blue Jackets, and downtown Columbus, the location of Ohio's capitol and headquarters of Nationwide Insurance and Huntington Bank, among others.

Historically, the area around the Cap was a vibrant commercial district and site of the Columbus Union Depot. Designed by Daniel Burnham in 1897, it was the city's third train station and the hub for passenger rail traffic. However, urban renewal and the highway projects of the 1950s severed the northern neighborhoods and the North High Street commercial area from downtown. What is now known as I-670 cut underneath High Street with four lanes of freeway traffic, taking established neighborhoods with it and leaving a 200-foot-wide (61-meter-wide) gap in its wake. The emphasis on planning for automobiles hit its stride in 1976, when Union Depot was torn down to make way for the convention center. By this time, the Short North was physically and psychologically disconnected from downtown.

During the 1990s, however, the area became revitalized. Urban pioneers rediscovered the Short North and retailers, restaurants, galleries, and residents flocked to the new arts and entertainment district. To the south, the convention center was expanded in 1993 with a giant new wing designed by architect Peter Eisenman and the city's last remaining public market, the North Market, was reborn. These commercially strengthened areas soon began to create enough synergy to make the Cap project both conceivable and feasible.

The idea of a cap bridging the gap between downtown and the Short North was initially conceived as part of the city's North Market Plan in 1989. The original plan came to life in 1996, when the Ohio Department of Transportation (ODOT) and municipal officials met with neighborhood groups to discuss widening I-670 from four lanes to eight. Knowing that the freeway project was not popular with neighbors and business owners, engineers and city officials proposed the construction of the hardscape park, which would be built on two 60-foot (18-meter) plates on either side of High Street and feature heavy brick fencing, park benches, and planters. But the public wanted more. Members of the Short North Business Association knew they were not getting as much business from conventions because visitors were unwilling to cross the 200-foot-long (61-meter-long), wire-fenced bridge over the highway to get to the Short North. They wanted a pedestrian-friendly streetscape to replace the so-called dead zone.

Another more ambitious plan called for a 1,000-foot (305-meter) cap that would cover an area west of High Street all the way to Park Street and feature retail and residential components. However, the \$15 million price tag and ODOT's reluctance to build a tunnel squashed that plan. At one point early in the process, a city official approached Jack Lucks, co-owner of Continental Real Estate, and showed him a sketch of a bridge surrounded on each side by a retail

cap on High Street that echoed the architectural features of Burnham's Union Depot facade. Lucks immediately signed on to the idea and the neighborhood groups, the city, and ODOT agreed in principle on this more modest, but still ambitious, project.

Although the Cap was conceived in 1996, serious work on the project did not commence until 1999, when Continental signed a memorandum of understanding with the city. Under the terms of the agreement, in the event that the city got clear title to the air rights above the highway and obtained permission from ODOT and the Federal Highway Administration (FHWA) to construct the Cap platforms, Continental would enter into a ground lease for the platforms and construct the buildings. The company also agreed to reimburse the city for up to \$75,000 in architectural fees for work that was necessary prior to construction of the buildings on the Cap. The city spent \$115,000 in preliminary architectural work to ensure that the Cap structures would be compatible with the highway design.

Gaining ownership of the air rights over the highway was the first hurdle the project faced. When I-670 was built in the 1950s, the state acquired only the ground rights, so it was up to the city attorney's office to conduct a title search on the 13 parcels under the Cap to gain permission from those owners. It took two years and nearly \$50,000 to track down all the owners to get clear title on the 0.84 acre (0.34 hectare) underneath the Cap.

Attaining a permit for the platform and the buildings in a highway easement was also difficult. The FHWA maintained that since the city wanted to use the easement for a nonhighway use, federal statutes required the city to charge a fair market rent to Continental for use of the Cap platforms. Since the project was going to require above-market rents, involve higher-than-normal construction costs, and have access issues not associated with normal commercial space, Continental was unwilling to pay any rent for the platforms. The city was able to appease the FHWA by leasing the platform to Continental for \$1 per year and the company agreed to allow the city to share in 10 percent of the ongoing profits of the development. If Continental sells the buildings, the city will receive 10 percent of the sale amount. Continental signed a 20-year lease with eight five-year renewal options.

As a part of the easement agreement, the city also had to agree not to infringe on ODOT's ability to operate the interstate. For instance, ODOT can close down and evacuate the Cap in case of emergencies. It also placed several design constraints on the Cap: no windows were permitted on the back of the buildings, no access to the roof or back of the buildings was allowed, and lighted signs or advertisements visible to highway drivers were forbidden.

In addition to the upfront costs paid by the city, ODOT agreed to pay nearly \$1.3 million for the construction of the Cap platforms and the city paid \$325,000 to extend the necessary utilities across the bridge. The city also provided Continental with a ten-year 100 percent tax abatement on the property. Prior to constructing the Cap buildings, Continental had to get design approval from the Downtown Commission, the Italian Village Commission, and the Victorian Village Commission.

Work on I-670 commenced in April 2002. Construction of the west Cap bridge structure began in September 2002 and work on the east Cap bridge structure started in February 2003. Continental began work on the west Cap building in April 2003, and in July 2003 the company started work on the east Cap building. The west Cap is almost 73.5 feet (22.4 meters) deep, and the east Cap is almost 53.5 feet (16.3 meters) deep. Both buildings extend across each bridge to solid ground on either side of I-670. The total gross leasable area of the project is 25,496 square feet (2,369 square meters).

PLANNING, DESIGN, AND CONSTRUCTION

Because there was no model to work from, the planning and construction of the Cap were challenging. The Cap is wider than a typical highway overpass because it is actually composed of three separate bridges: one for through-traffic on High Street, and one on either side for the retail structures. The entrances to the retail structures run parallel to the High Street bridge and together with wide sidewalks form a pedestrian-friendly connection over I-670 extending from the Short North district to downtown and the convention center.

Separating the bridges allows them to shift, expand, and contract independently. The Cap will inherently be subject to some vibration from the highway below, but so far this has not caused any difficulties for tenants. However, since the Cap extends onto solid ground on both sides of the highway, engineers had to design the Cap structures with a flexible joint to allow the part of the building on the bridge to move and the part anchored to the ground to stay in place.

Providing utilities to the buildings on the Cap also presented engineering and design difficulties. Typically, ODOT engineers extend one or two utilities across bridges, but in this case there were several to contend with. Water, sewer, storm drainage, gas, electricity, and communications lines all had to be installed on the Cap. To handle these added utilities, the bridge has an internal concrete bay that contains all of them. The bay is accessible from the interior of the buildings and it is heated and insulated to keep lines from freezing during the winter. The Cap structures also have added insulation on the bottoms to minimize heat loss from the buildings.

The interior spaces were also challenging to design because the Cap has limited exterior access. ODOT would not allow a rear catwalk or access to the back of the buildings, which has restricted tenants' ability to fully access the space. There is limited side access on both sides of the Cap, and the architect was able to design in an interior rear

service corridor on the west side of the Cap. The east side, which is narrower because of the slope of the highway, has access only through the front of the building.

Access was also a critical part of the construction process. The staging areas available for constructing the buildings were limited and using the space below on the highway had to be perfectly timed to coincide with road construction. Through hard work and good communication, erecting the buildings on the Cap did not hold up the reopening of I-670.

Since the bridges on which the Cap is built are not engineered to the same load specifications as a road bridge, the materials used on the project had to be chosen with weight in mind. The architect designed the Cap using exterior materials that pay homage to Burnham's original Union Depot design. The main skin of the building is fiberglass-reinforced plastic, which was made using custom moulds that were intended to be reminiscent of Union Depot's terra-cotta facade. In addition, there are areas of cast stone that are made out of two-inch-thick (5.1-centimeter-thick) concrete to resemble stone. The columns in the arcade of the buildings are made of fiberglass-reinforced concrete to withstand more abuse but still remain lightweight. The backs of the buildings are right over the highway and had to be constructed of durable materials that would not fall off onto the roadway below. They were built with an exterior insulation finish system that uses a heavyweight acrylic polymer finish coat applied over a water-resistant base coat over rigid insulation.

Parking was the last major hurdle for the Cap. Since the project was literally constructed out of thin air, the buildings had no parking. The city wanted to have on-street parking on the bridge, but ODOT and FHWA officials contended that this would be a safety risk and hamper traffic flow across the bridge. The city attorney eventually settled the matter by arguing that Ohio's home-rule rights allow them to decide if they want to have parking on bridges over highways. They did, however, agree not to allow parking during peak traffic hours from 4 to 6 p.m. to assuage the concerns of ODOT and FHWA officials. On-street parking does not meet the needs of the Cap, but plenty of parking is available in the convention center area, and the restaurants offer valet parking for customers.

While the Cap has been a success, the area west of the Cap to Park Street did not receive the same level of design treatment as the Cap itself. This happened for several reasons. The curve of the highway dictated that the Park Street intersection have two opposing concrete spaces that remain barren. The city did not have the money to install the landscape plan for this area and ODOT officials did not engineer the spaces to bear enough weight to be used for parking.

FINANCING AND MARKETING

Financing the Cap project was difficult because Continental had not signed any tenants at the time construction commenced. The company used existing financial relationships to obtain a \$4.2 million conventional loan to finance the construction of the buildings. At the start of the project, Continental also secured \$1.3 million in mezzanine debt and made an overall equity contribution of \$500,000. However, in order to finance tenant improvements, Continental had to reorganize the financing scheme. The firm originally forecasted spending \$650,000 on tenant improvements, but those costs eventually rose to \$2.2 million. At that point, however, Continental had tenants in hand and the capitalization rate had fallen from 10 to 7.5, allowing the company to secure a bridge loan with more favorable terms. Under the new financial scenario, Continental was able to refinance the construction loan, finance the tenant improvements, and reduce the mezzanine debt to \$300,000. They currently have a \$7 million conventional loan and financial officials at Continental estimate that they will lock in at an interest rate of 5.5 percent.

Continental was able to achieve favorable loan terms because it had secured tenants willing to pay rents that were approximately 20 to 30 percent higher than those in the surrounding area. At \$25 to \$35 per square foot (\$269 to \$367 per square meter), the rents may be high, but according to officials at Continental, tenants are willing to pay more for the cachet provided by the location. With the exception of one 500-square-foot (46.4-square-meter) space, the Cap is entirely leased, and all tenants, save one, are open for business. The last tenant, a 7,000-square-foot (650.3-square-meter) restaurant, will open in July 2005.

Tenants for the Cap were selected to provide a day-to-night mix. There are two upscale restaurants, a coffee shop and wine bar, a clothing store, an apparel and gift shop, and a few smaller specialty food stores. By mixing retail space with restaurants and bars, Continental has been able to draw people in and then provide them with a reason to hang around and shop. The coffee shop opens early and the bar stays open late, keeping the Cap—just like the surrounding Short North neighborhood—active for nearly 22 hours a day.

EXPERIENCE GAINED

One of the first of its kind in the United States, the Cap project offers an example of how to reconnect cities that have been divided by urban highways. In some sense, the project was about solving one problem after another, and each time it was a problem that no one had ever faced. It has been said by some that the Cap project died a dozen deaths over the years, but that someone always came along to revive it.

Although it was a major challenge, the air-rights issue never threatened to kill the project, but creating the lease agreement with FHWA and ODOT almost did. Sorting that out prior to starting the project would have made the whole

process a lot smoother, although the city attorney points out that had some investments not been made prior to negotiations with ODOT and FHWA, they may not have been as willing to bend on certain terms of the agreement. From a construction standpoint, the entire project could have been finished faster if the bridge engineers had the completed architectural blueprints for the buildings on the Cap. Because they had to design the bridge structure to match up with the load-bearing columns, construction was slowed down.

Although the city and the state contributed significantly to the project, their contribution was very small compared with the entire \$187 million cost of the highway project. For the retail space constructed on the Cap, the development costs were extremely high. In the future, if the state and city were willing to commit more money to a project like this, it would be easier for developers to get involved with a potentially high-risk development.

From the city's perspective, it was also important to have a strong relationship with the developer. It was politically risky not to put the project out to bid, but having a committed developer who was willing to go to great lengths to construct the Cap far outweighed that risk.

Perhaps most important, those involved in the development of the I-670 Cap have identified the ingredients necessary to complete a similar project in the future. There need to be:

- An active roadway construction project;
- A well-organized citizenry;
- A willing developer;
- A city council willing to push for the project and make it a priority; and
- A mature-enough retail environment to support the development.

Though it was arduous, all of those involved say they believe that such a project is feasible elsewhere across the country. In fact, various highway caps are being considered in other places in Columbus to knit neighborhoods surrounding downtown back together. As part of the current I-70/I-71 redevelopment plan on the downtown's southern and east sides there are opportunities for other caps. A retail cap may not work in every situation, but the I-670 Cap has provided a working model for future development in Columbus and beyond.

PROJECT DATA**LAND USE INFORMATION**

Site area (acres/hectares): 1.12/0.45
 Gross building area (square feet/square meters): 25,496/2,369
 Gross leasable area (square feet/square meters): 25,496/2,369

LAND USE PLAN

Use	Area (Square Feet/Square Meters)	Percentage of Site
Buildings	25,496/2,369	52
Public right-of-way and sidewalks	23,229/2,158	48
Total	48,725/4,527	100

RETAIL TENANT INFORMATION

Classification	Number of Stores	Total Gross Leasable Area (Square Feet/Square Meters)
Food	2	2,931/272.3
Food service	4	14,728/1,368
Clothing and accessories	2	2,889/268.4
Gifts/specialty	1	1,728/160.5
Total	9	25,496/2,369

Major Tenants

Tenant Name	Space Occupied (Square Feet/Square Meters)
Hyde Park Prime Steak House	7,000/650.3
Liu Pon Xi (Chinese restaurant)	6,156/572
Cold Stone Creamery (ice cream)	1,592/148
Schokolad Chocolate Factory (confectioner)	1,339/124.4
Tropical Trends (apparel and gifts)	1,728/160.5
Cup O' Joe and Mo Joe Lounge (coffee shop and wine bar)	3,220/299
Jeffrey Thomas (apparel and gifts)	2,313/215
Quiznos Subs (food service)	1,572/146
TBA (clothing)	576/53.5
Total	25,496/2,369

Average length of lease: 5 to 10 years
 Annual rents (per square foot/square meter): \$25 to \$35/\$269 to \$376

DEVELOPMENT COST INFORMATION

Site Acquisition Cost: 0

Construction Costs: \$5,843,000
 Superstructure: \$1,693,500
 Electrical: \$90,000
 Plumbing/sprinklers: \$176,000
 Masonry/stone: \$86,000
 Fees/general conditions: \$372,000
 Finishes: \$210,000
 Graphics/specialties (fiberglass panels/columns): \$845,000
 Tenant improvements: \$2,200,000

Soft Costs: \$1,957,000
 Preliminary development zoning: \$28,000
 Appraisal: \$4,750
 Architecture: \$160,000
 Taxes: Ten-year abatement
 Construction interest: \$450,000
 Loan fees: \$98,000
 Development fee: \$600,000
 Commissions: \$253,000
 Contingency: \$200,000
 Other: \$163,000

Total Development Cost: \$7,800,000

DEVELOPMENT SCHEDULE

Planning started: August 1996
Approvals obtained: 1996–2004
Construction started: April 2002
Leasing started: 2003
Project opened: October 2004

DIRECTIONS

From Port Columbus International Airport: Proceed straight onto I-670 west toward downtown Columbus. Exit at High Street by the back of the convention center. At the bottom of the ramp, turn right, then at the stop sign turn left. At the next light—High Street (the convention center will be on your left)—you will see the Cap to your right, at the corner of Goodale and High streets.

Driving time: Approximately ten minutes in nonpeak traffic.

Andrew Overbeck, report author
Jason Scully, editor, *Development Case Studies*
David James Rose, copy editor
Joanne Nanez, online production manager

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

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1025 Thomas Jefferson Street, N.W., Suite 500 West, Washington D.C. 20007-5201



The Cap at Union Station is a \$7.8 million retail development that reconnects downtown Columbus and its convention center with the burgeoning Short North arts and entertainment district.



Courtesy of Continental Real Estate Development Corporation

Composed of three separate bridges-one for through-traffic across Interstate 670, and one on either side for the retail structures-the Cap comprises 25,496 square feet (2,369 square meters) of leasable space over a major freeway.



Photo by author

Replacing a 200-foot-long (61-meter-long), wire-fenced bridge, the Cap now serves as a pedestrian path between the Short North district and downtown.



The construction of the Cap was the result of cooperation among Continental Real Estate Development Corporation, the city of Columbus, the Ohio Department of Transportation (ODOT), and the Federal Highway Administration (FHWA).



Under the terms of the construction and leasing agreement, the city of Columbus possesses the air rights above the highway and obtained permission from ODOT and the FHWA to construct the Cap platforms. Continental leases the platforms and erected the buildings.

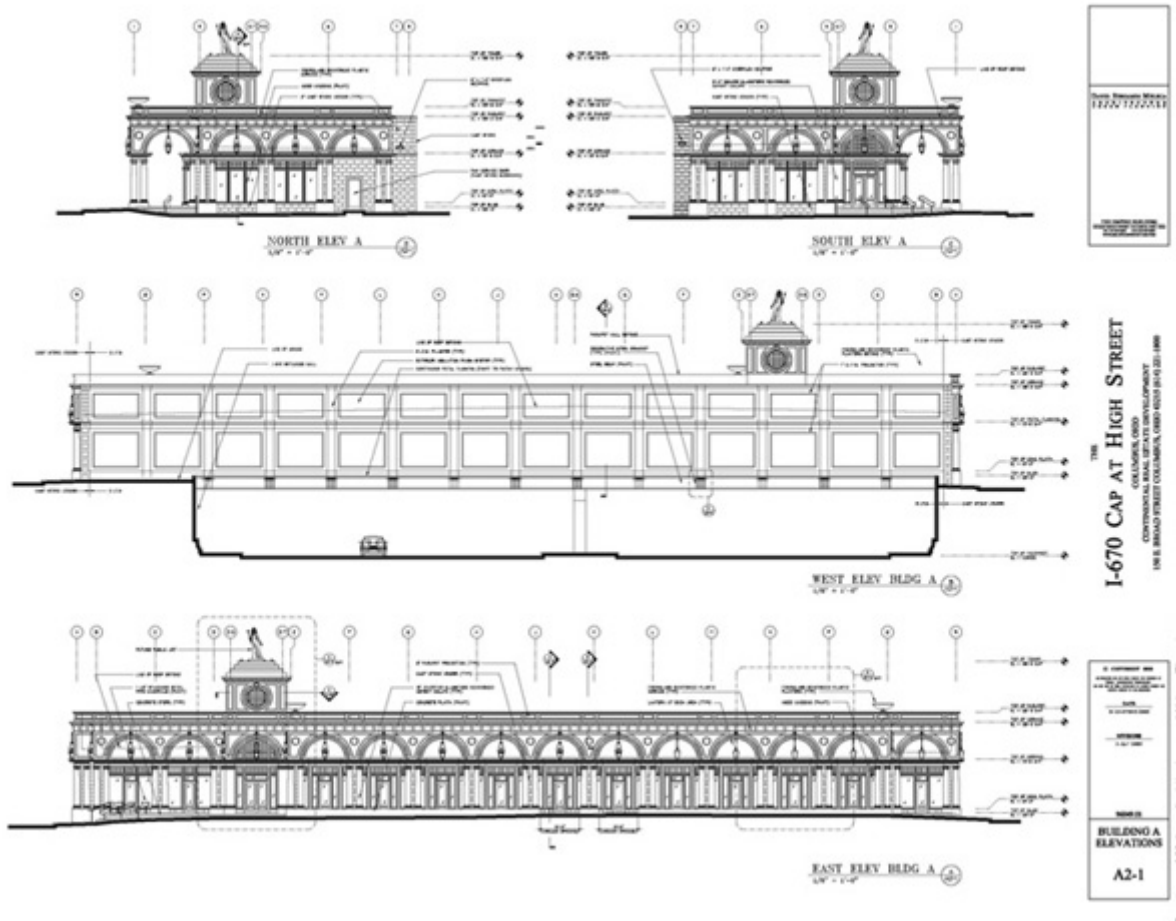


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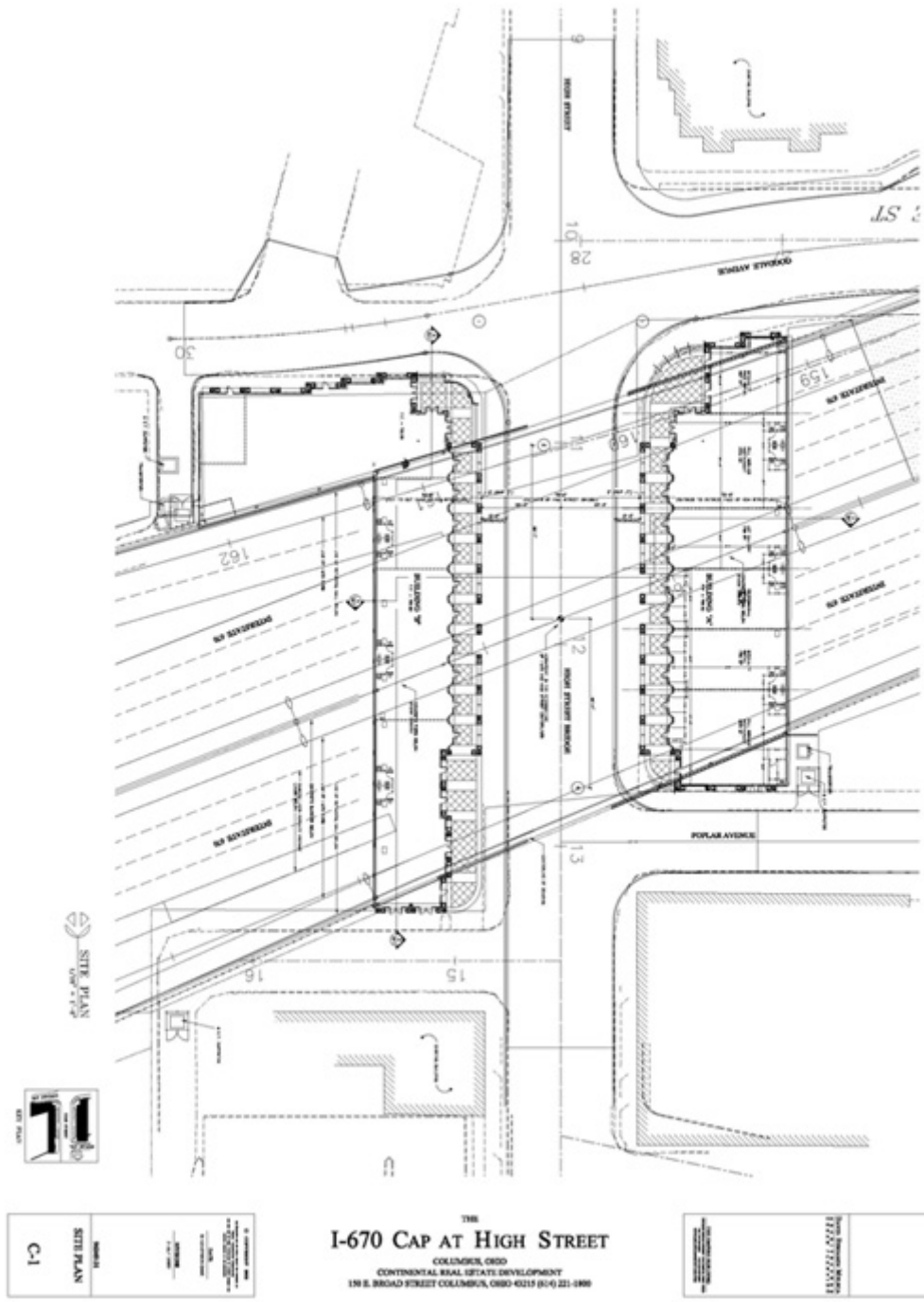


Photo by author

As part of the easement agreement, ODOT can close down and evacuate the Cap in case of emergencies. It also placed several design constraints on the Cap: No windows were permitted on the back of the buildings, no access to the roof or back of the buildings was allowed, and lighted signs or advertisements visible to highway drivers were forbidden.



The Cap elevations.



Courtesy of Meleca Architecture and Urban Planning

The Cap site plan.