PRIVATE CORPORATIONS STEPPED UP to commit both major funds and needed leadership to a decaying neighborhood adjoining downtown. A new can-do organization was created, and a comprehensive, action-oriented strategy was developed that recognized the importance of the cultural amenities of downtown. Fountain Square, a Cincinnati landmark, was restored, and the neighborhood is alive with new housing and new jobs. By investing across the neighborhood—from homeless shelters to historic cultural amenities, as well as new housing, hotels, and offices—Over-the-Rhine became a national model of public/private leadership.

Washington Park’s transformation from a crime-ridden, distressed, and underused space into a lively gathering place serving as a catalyst for change has been nothing short of remarkable. 3CDC
Lessons Learned

- Business leaders understood that without discipline, dedicated funds, and long-term focus and investment, the Over-the-Rhine community would not come back.
- A community-wide approach recognized the multiple dimensions of the neighborhood: from various housing needs to arts and cultural amenities.
- A dedicated, smart, and savvy staff that was able to work with the private business community, neighborhood leaders, and government entities made a huge difference. Those public/private practitioners bring a unique skill set and can be critical to success.
- Early land control and seed capital to fund the development corporation itself as well as initial projects were crucial. Secure multiyear funding by the corporations allowed for real strategic planning and implementation.

The Setting

Over-the-Rhine is a historic Cincinnati neighborhood adjoining downtown. Directly north of downtown, the neighborhood was settled by German immigrants in the mid-19th century and still contains splendid, largely intact 19th-century architecture and several good restaurants. However, decay was spreading, along with crime and disinvestment. Private corporations, led by Proctor & Gamble and Kroger, are headquartered in downtown Cincinnati, adjoining Over-the-Rhine. Dismayed by the deterioration, the companies decided to do something about the problems.

Over-the-Rhine’s transformation into a vibrant Cincinnati neighborhood is a remarkable model for other communities in two respects: (a) the civic leadership demonstrated by the creation of a privately funded, nonprofit development corporation led by the business community, and (b) the array of creative financing and public/private partnerships, which were rapidly put together to accomplish the dramatic series of developments. The privately created nonprofit development corporation, Cincinnati Central City Development Corporation (3CDC) brought to Cincinnati what every community needs for its future: money, land control, and sophisticated deal-making capacity. The creation of the $50 million Cincinnati New Markets Fund allowed 3CDC to buy property within an area defined by a strategic vision and to partner with developers who shared the same goals.

By aggressively acquiring over 1,000 parcels, 3CDC reached a threshold of development that gave people reason to believe the neighborhood was improving. The early restoration and enhancements in Washington Park and Fountain Square, highly visible public spaces, declared that downtown and Over-the-Rhine were coming back.

Every community can create a 3CDC-like organization. Too often, the response is, “We don’t have corporate headquarters or big corporations like those that exist in Cincinnati.” Every community has successful businesses and wealth from prior successes. Although the initial funding may be more modest, every community has the resources to create a private, nonprofit development corporation to invest in its future. By saying “We cannot create such a fund,” communities are really saying “We do not have the leadership or commitment to our community’s future.”

The Catalyst

Like many midwestern cities in the mid-20th century, Cincinnati saw a decline in manufacturing, flight of the middle class from the city to the suburbs, and a resulting decline in the city center and downtown. Despite those signs of decline, downtown Cincinnati remained home to major
corporate headquarters, including Proctor & Gamble, Kroger, and Federated Department Stores. Unlike many other cities where downtown housing was emerging to fill a market void, such housing was absent in Cincinnati. Downtown remained a nine-to-five environment, with streets virtually deserted when the workforce went home to the suburbs.

In 2001, a riot following a police shooting was a wake-up call. The slow decline of the central business district, the virtual abandonment of Fountain Square, and the extremely blighted conditions of the Over-the-Rhine neighborhood became the focus of civic and corporate leaders. The economic future of Cincinnati and the ability of major corporations to attract the workforce they desired depended on a vibrant downtown.

In July 2003, the political, civic, and business leadership organized a private, nonprofit development corporation, 3CDC. Its mission was “to strengthen the core assets of downtown by revitalizing and connecting the Fountain Square District, the Central Business District and Over-the-Rhine.” At that time, there were 500 vacant buildings and 700 vacant lots in Over-the-Rhine. Thirty corporate leaders make up 3CDC’s board of directors; no public officials are members. Initially, 3CDC’s operations were funded entirely by annual corporate contributions. Now, in addition to level annual corporate contributions similar to its initial funding, development fees and revenues from operating assets make up two-thirds of the annual operating budget of approximately $6 million.

The objectives of 3CDC are clearly defined:
- Create great civic spaces
- Create high-density, mixed-use developments
- Preserve historic structures and improve streetscapes
- Create diverse, mixed-income neighborhoods supported by local business

Early in 2004, the 3CDC board hired its first president/CEO, Stephen Leeper. Under his leadership, 3CDC began acquiring and land-banking blighted and troubled properties. Initially, 3CDC invested over $27 million in private funds to buy 200 buildings and 170 vacant parcels centered on Washington Park. Included in those purchases were several notorious bars and carryout liquor stores that were centers of crime and drug dealing. Later in the year, 3CDC leased and assumed management of the Fountain Square parking garage, which was municipally owned, deteriorating, and losing money, and began restoring the garage, fountain, and plaza.

Results

In its 11-year history, 3CDC has been involved in the following projects:
- Restoring 144 buildings, including housing and streetfront commercial establishments
- Constructing 50 new buildings
- Adding 1,113 housing units (condominiums, apartments, and townhouses)
- Providing 320 shelter beds
- Adding 156 hotel rooms
- Creating 845,000 square feet of commercial space
- Adding 2,700 parking spaces
- Revitalizing ten acres of parks, including Washington Park and Fountain Square
- Incentivizing millions of dollars in streetscape improvements

**Financing Mechanisms**

In addition to their private contributions for operations, 3CDC’s founding corporations invested in a $50 million revolving loan fund, the Cincinnati New Markets Fund. In 2013, the board created a second Cincinnati New Markets Fund of $41 million capitalized largely by reinvestment of loans paid back from the first fund. Those funds offered patient loans as seed capital to begin and continue the revitalization of Fountain Square and Over-the-Rhine. The corporate leaders anticipated that the funds would be invested and leveraged in such a way that returns would be a possibility. The success of the first fund and the need to continue to reuse and roll over funds encouraged the second fund’s investors.

With an entrepreneurial spirit and a commitment to effective public/private partnerships, 3CDC has to date brought together 17 sources for financing its developments.

As development took place, the perceptions of Fountain Square and Over-the-Rhine began to change. With 3CDC responsible for managing both Fountain Square and Washington Park, regular and frequent programming was offered, including music, food, and festivals. Thousands of people who might have avoided the area are now discovering an interesting transformation. Over-the-Rhine and the central business district have become the places to go in the Cincinnati region for interesting dining.

**Return on Investment**

Since the creation of 3CDC, the change in downtown and Over-the-Rhine is nothing short of spectacular. Fountain Square and Washington Park have become “go-to” places instead of “go-from” places. A total of $842 million of new money has been invested in downtown and Over-the-Rhine, and over 2,500 jobs and 1,100 housing units have been created as a result. As part of the city’s return, the downtown and nearby neighborhoods are now generating substantially higher annual tax revenues.

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**Figure 7. Financing**

Total Investment: $842 million

**Public funding sources**

- New Markets Tax Credits
- Historic tax credits
- Low-income housing tax credits
- State New Markets Tax Credits
- State historic tax credits
- State low-income housing tax credits
- State jobs funds

**Unique private catalyst**

- Cincinnati New Markets Fund
  - ($50 million revolving loan fund)

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Over-the-Rhine: an up-and-coming entertainment and food district. Twenty-nine new restaurants have opened since 3CDC began its redevelopment work. J. MILES WOLF

City Gospel Mission is one of three new homeless shelters developed by 3CDC and its partners, yielding a total of 320 shelter beds. 3CDC