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Historic Building Saved, Repurposed in Chillicothe, Ohio

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One of Chillicothe, Ohio's, architectural gems, the Carlisle Building, has been sitting vacant since it was the site of a fire in 2003. The centerpiece of city's historic business district was recently rehabilitated thanks to The Chesler Group and one of the city's largest employers, Adena Health System.

The Chesler Group purchased the Carlisle Building and Adena Health System is master leasing the entire building. The Romanesque-style structure that was originally comprised of storefronts on the ground floor and space for various mixed commercial uses when it was built in 1885 has been converted into corporate offices

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Image: Courtesy of ©Jeff Goldberg/Esto

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and urban-loft apartments for medical students in Adena's physician residency programs.

"The building was a constant reminder of the significant problems that the city of Chillicothe had," said Michael Chesler, owner of The Chesler Group. Although Chesler described the building as a "nightmare" due to its rundown condition, he said this was the "perfect job for me" because he enjoys challenging rehabilitation projects.

The first floor of the 70,000-square-foot building now features Adena's corporate offices, offices for its foundation and a community room. The remaining three floors feature 32 urban-loft apartments for the medical students in the hospital's physician residency programs. This includes 21 two-bedroom units and 12 hotel-style units. Chesler said the hotel-style units are for doctors and other health professionals to stay in when they come into town. Adena signed a 15-year lease on the building.

Adena was established in downtown Chillicothe in 1895 and has operated throughout the southern Ohio region since. The hospital has been dedicated to supporting community development in Chillicothe and communities throughout its 12-county service area. "The Carlisle Building was identified by the Chillicothe community as the No. 1 economic project that needed to get done," said Ty McBee, director, business development at Adena Health System. McBee also said the timing was right for Adena. As more medical space was needed at the company's primary regional hospital, McBee said this was the perfect time to move the corporate offices.



Image: Courtesy of ©Jeff Goldberg/Esto

The rehabilitation of the Carlisle Building began in May 2014 and was completed in October 2015.

Additionally, Adena's medical education program continues to grow. McBee said a revitalized Carlisle Building will provide an opportunity to relocate some corporate offices and to centralize medical student living quarters. In 2014, Adena trained 185 students in its medical education program, with students living in apartments scattered throughout the city. "We have lodging needs that are significant and these had not been met in the current market," said McBee.

The rehabilitation began in May 2014 and was completed in October 2015.

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Preserving 130 Years of History

Chesler said that because of the fire, a vast majority of the inside of the building was damaged. However, on the interior of the building, the cornice plaster moldings were restored along with some of the interior glass work. On the exterior, Chesler said that all of the windows were restored. In addition, he said the entire façade of the property was refurbished to look as it did in 1885. This includes preserving the exterior limestone and sandstone. Chesler said that he used photos that were more than 100 years old to restore the original storefronts as well.

Nathaniel Kaelin, Ohio historic preservation tax credit program manager at Ohio Development Services Agency (ODSA), said, “The signature element that was preserved was the building’s turret. It was still existing but in very bad shape. It is a signature element for the community.” ODSA provided the state historic tax credit (HTC) allocation.

While Chesler said he is never happy to see these historic structures damaged, he said that because the fire destroyed much of the interior of the building, the rehabilitation was easier as there were fewer odd-shaped rooms or awkwardly placed doors. Chesler said before the development company could preserve the historic structure, it had to fix the structural integrity of the building.

Federal, State HTCs Financed the Rehabilitation

The rehabilitation of the Carlisle Building was financed using both federal and state historic tax credits (HTCs). Chesler said The Chesler Group kept both sets of credits because pricing for the credits was low and the credits were worth more if retained by The Chesler Group. The development received \$1.5 million in state HTCs and \$1.3 million in federal HTCs.

“For smaller projects, like this one, the investor pool is smaller. Coming off the Rev. Proc. 2014-12 issuance, the market just wasn’t there,” said Tom Boccia, partner in the Cleveland office of Novogradac & Company LLP, which did the cost certification and helped structure the capital stack. “When Chesler evaluated the benefits of keeping the credits to use against his personal tax liability, there was only one real option.”

ODSA provided the state HTC allocation of \$1.4 million. “The strength of the project was attractive to us. Its tenant has been an anchor in the community for a number of years,” said Kaelin. “The visibility of the property will increase investor interest in downtown. There have already been properties purchased after this project was started. The catalytic spinoff is already in motion.”

The development also received a \$1 million low-interest loan and a \$500,000 grant from JobsOhio, which drives job creation and new capital investment in Ohio through business attraction, retention and expansion efforts. One way JobsOhio does this is through its new revitalization program, which commits up to \$40 million per year of investment into community development. The Carlisle Building is the first development to utilize this new program. Kristi Tanner, senior managing director at JobsOhio, said the biggest challenge on this development was the short timeframe. She said that Chesler approached JobsOhio for funding while the company was still writing up its application forms and closing documents. “We were building the plane while we were flying it,” said Tanner. She added that the Carlisle Building was an attractive development for JobsOhio because of the long-term lease with a strong tenant organization and because of the job creation. Tanner said this redevelopment created 13 new jobs and retained nine existing jobs.

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Cortland Bank was the leverage lender and provided a \$4.1 million senior mortgage as well as a \$2 million bridge loan. “We followed this because it had a quality builder with a quality tenant on a quality project,” said Stanley Feret, senior vice president, chief lending officer at Cortland Bank. “It fulfilled a real need in the community.” ♦

Carlisle Building

FINANCING

- ♦ \$4.1 million senior mortgage from Cortland Bank
- ♦ \$2 million bridge loan from Cortland Bank
- ♦ \$1.5 million in state HTC
- ♦ \$1.4 million state HTC allocation from Ohio Development Services Agency
- ♦ \$1.3 million in federal HTCs
- ♦ \$1 million low-interest loan from JobsOhio
- ♦ \$500,000 grant from JobsOhio

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