
Article appearing in: **Indianapolis Business Journal**
Date of article: April 21 - 27, 2003
Edition: Vol. 24 No. 6
Written by: Tammy Lieber

Copyright (c) IBJ Corp. 2002. All Rights Reserved.

Footing the bill

By Tammy Lieber

Financing for MSA-site proposals is key as city mulls most complex downtown project since Circle Centre

City planners sifting through six plans to redevelop the former Market Square Arena site have found all but one intend to use public money to pay for at least part of the project.

While plans are far from final and the proposals vary widely, the ability to finance the project is key.

"We want this project to be something that will happen," said Angela Dye, spokeswoman for the Department of Metropolitan Development. "Financing is definitely a part of that."

Cost estimates range from \$43 million to \$140 million to turn the temporary parking lot into downtown's largest-scale project since Circle Centre mall was finished in 1995. Most include requests for city assistance on infrastructure, including sidewalks and developing public green spaces.

Once the bids are narrowed later this spring or early summer, financing will be discussed in greater detail, Dye said.

The six bidders vying to redevelop Market Square's footprint and surrounding area plan to use combinations of outside investments and partnership capital and public assistance from the city's taxpayers to get the job done. At one end of the spectrum, a bidder plans to use no public assistance or funds; another plans to use public bonds issued through government agencies to fund construction.

In most of the proposals, construction and development costs would be financed largely from private sources such as construction and bank loans, and capital from the developers. Only one proposal, from Near Eastside Renaissance Partners, includes plans to use public bonds for construction costs, but at least one other developer said issuing bonds for similar work on the project is a possibility.

The most expensive project, a \$140 million proposal from Market Square Partners LP to build a 22-story condominium tower on the site, is also the only one that promises to use no public money. The partnership is counting on proceeds from condominium sales and commercial development to fund construction.

That project calls for 200 market-rate and affordable condominiums, no rental units and 75,000 square feet of retail space. It also includes an option to build a second tower that would double the number of condominiums, said Michael Comparato, vice president of locally based CTE Engineers, one of the partners who developed the Market Square Partners bid. Other partners include environmental consultant and former White River State Park Commission Executive Director William Shrewsbury; Columbus, Ohio-based Smoot Construction; and Boston-based Diamond & Co. Inc., a development firm with a national reputation for urban redevelopment projects.

With a second tower, the project's residential density would be about 100 units per acre, "which is considerable," Comparato said.

Market Square Partners' project calls for about 600,000 square feet of residential space, including the second tower. The city's development guidelines for the site recommend 316,000 square feet or less of residential space for the 4-1/2-acre site.

"A project like [the MSA site redevelopment] cannot be done without some type of governmental assistance, even ours," Comparato said. "The best thing we could ask the city to do was to give us the concession of density and prove the market exists to sell to the levels we think can be sold in time."

The higher density will ultimately contribute more to the city through higher taxes paid by more residents in the two high-rises, he said.

Near the other end of the spectrum from Market Square Partners' bid--both in design and financing--is a \$75 million bid submitted by Near Eastside Renaissance Partners, which includes Riley Area Development Corp., Eaton Investments, Monument Realty and CSO Architects.

Near Eastside's plan includes mostly rental units, with 152 market-rate and affordable-housing apartments and 72 condominiums. It also features a \$40 million to \$50 million performing arts center, which would be funded by a separate capital campaign run by the arts organizations using the facility, said Dennis Murphy, director of development for Monument Realty.

Construction of the rental units would be financed by a \$13 million bond issue through the Indiana Housing Finance Authority, Murphy said. A smaller bond issue might also be used to finance construction of one or two parking garages on the site. Under the current plan, Near Eastside also would ask the city to help bridge any gaps between money raised from the bond issue and actual construction costs, he said.

The other four bidders--Flaherty & Collins Properties, New Gateway LLC, MSA Development LLC and City Center Associates LLC--all plan to use some combination of private loans and partnership equity to finance construction. They also propose the city kick in incentives such as a 10-year tax abatement or help with costs associated with building adequate parking and creating open spaces--two specific recommendations from the city.

One of those developers, City Center Associates LLC, will wait until further in the selection process to work out financial details with the city and private lenders, said partner and Scott Hilliard Kosene principal Gerald Kosene. Projects Kosene has completed in other cities include conventional loans and some degree of public assistance, he said.

"In the Midwest, almost every project like this has some degree of public assistance," Kosene said. "Any public leader of any administration that has the foresight to regentrify an area understands that."