

City of Cincinnati

September 28, 2020

To: Mayor and Members of City Council

From: Paula Boggs Muething, Interim City Manager

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202001691

Subject: **LEED COMMUNITY REINVESTMENT AREA TAX EXEMPTION AGREEMENT FOR 602 MAIN STREET LLC, LOCATED AT 602 MAIN STREET**

Attached is an Emergency Ordinance captioned as follows:

APPROVING AND AUTHORIZING the City Manager to execute a *Community Reinvestment Area Tax Exemption Agreement (LEED or Living Building Challenge)* with 602 Main Street, LLC, thereby authorizing a 15-year tax exemption for 100% of the value of improvements made to real property located at 216 E. Sixth Street and 600-610 Main Street in the Central Business District of Cincinnati, in connection with the remodeling of an existing building into approximately 168,883 square foot hotel with 163 rooms, and approximately 9,500 square feet of commercial space, which remodeling shall be completed in compliance with Leadership in Energy and Environmental Design Silver, Gold or Platinum standards or Living Building Challenge standards, at a total remodeling cost of approximately \$53,718,163.

BACKGROUND/CURRENT CONDITIONS

602 Main Street, LLC is the current property owner of the Gwynne Building located at 602 Main Street in the Central Business District. This historic building is currently mostly vacant. 602 Main Street, LLC submitted a Financial Assistance application for the redevelopment project, which was received and reviewed by DCED.

DEVELOPER INFORMATION

602 Main Street LLC is a subsidiary of NuovoRE. NuovoRE has a track record of historic rehabilitation projects that provide meaningful community impact. Specifically, the developer is interested in completed catalytic developments that have ancillary benefits throughout the community. They have developed hotels projects in Maryland, California, Missouri, New York, Washington D.C., Utah,

Hawaii, South Carolina, and Mexico. Their past success demonstrates an ability to guide this project to completion.

PROJECT DESCRIPTION

Upon completion, this project will result in a 163-key, LEED Silver hotel and 9,500 square feet of commercial space, with a total project cost of about \$53,718,163. In connection with this project, it is estimated that 176 temporary construction jobs will be created at a total annual payroll of \$17,600,000 and 267 full-time equivalent employees will be created at a total annual payroll of \$10,000,000. This project is aligned with the Compete and Live initiatives of Plan Cincinnati.

PROPOSED INCENTIVE

The Ordinance provides for a 100% (net 52%), 15-year CRA tax exemption for this project. The exemption applies only to the increase in value attributable to the project improvements. Pursuant to the LEED CRA policy established by City Council, this project is eligible for a 15-year net 52% CRA Tax Abatement:

SUMMARY	
Forgone Public Benefit if Project Does not Proceed	
CPS PILOT (Forgone New Revenue)	(\$4,937,770)
VTICA (Forgone New Revenue)	(\$2,244,441)
Income Tax (Forgone New Revenue)	(\$3,889,200)
Total Public Benefit Lost	(\$11,071,411)
Incentive Value	
Annual Net Incentive to Developer	\$518,715
Total Term Incentive to Developer	\$7,780,729
City's Portion of Property Taxes Forgone	\$1,931,134
Public Benefit	
CPS PILOT	
Annual CPS Pilot	\$329,185
Total Term CPS PILOT	\$4,937,770
VTICA	
Annual VTICA	\$149,629
Total Term VTICA	\$2,244,441
Income Tax (Max)	\$3,889,200
Total Public Benefit (CPS PILOT/VTICA /Income Tax)	\$11,071,411
Total Public Benefit ROI*	\$1.42
City's ROI*	\$5.73

*If the project were going to happen regardless of incentive, this is the return of real dollars for public benefits as potential future dollars are forgone

RECOMMENDATION

The Administration recommends approval of this Emergency Ordinance. This is an Emergency Ordinance to allow 602 Main Street LLC to complete their financing and start construction at the earliest possible time.

Attachment A: Property location and photographs

Copy: Markiea L. Carter, Interim Director, Department of Community & Economic Development *MLC*

Attachment A: Location and Photographs

