

November 30, 2022

To: Mayor and Members of City Council

From: Sheryl M.M. Long, City Manager 202202123

Subject: Ordinance – Approving and Authorizing CRA Tax Exemption Agreement with 312 W 4th Street, LLC

Attached is an Ordinance captioned:

APPROVING AND AUTHORIZING the City Manager to execute a *Community Reinvestment Area Tax Exemption Agreement* with 312 W Fourth Holdings, LLC, thereby authorizing a 15-year tax exemption for 100% of the value of improvements made to real property located at 312 W Fourth Street in the Central Business District of Cincinnati, in connection with the remodeling of an existing building into approximately 7,872 square feet of residential space, consisting of 7 residential rental units, and approximately 2,700 square feet of commercial space, at a total construction cost of approximately \$1,263,022.

BACKGROUND/CURRENT CONDITIONS

312 W 4th Street, LLC plans to renovate the property located at 312 W 4th Street in the Downtown Neighborhood. The property is a four-story building. The improvements contain a full unfinished basement that will be used for storage and mechanical access, the existing first-floor commercial storefront will be reduced size to construct a 1BR+Den apartment on the first floor, then the upper levels will consist of two 1BR+Den apartments on each floor. This project will take a beautiful building in the heart of the city that is currently 60% vacant and bring it to life, offering newly renovated/constructed units to the business district. In total after the renovation this building will consist of 7 apartments and one storefront.

DEVELOPER INFORMATION

312 W Fourth Street, LLC is a real estate investment entity owned by Yolo Investments LLC (60%) and Rotem Cohen (40%), an individual. Yolo Investments LLC is an established local real estate business with over 10 years' experience in renovations of residential homes and apartment buildings in the City of Cincinnati including its neighborhoods of Madisonville, Evanston, West End and downtown. Nadav Livne is the managing member for Yolo Investments, LLC.

PROJECT DESCRIPTION

The Developer is proposing a renovation of the four-story, property located at 312 W 4th Street to include seven market-rate units, all of them being (7) one bedroom, one-bathroom residential rental units. Rents are projected at \$1,500 per month, which is naturally affordable to households slightly above 80% of the AMI (\$1,432). The total project cost is estimated to be \$1,263,022, with construction cost estimated to be \$415,471. The project is estimated to take eight months to complete and will support the creation of 6 temporary construction jobs with a total payroll of \$276,295. The developer hopes for construction to commence in January of 2023.

The proposed project is consistent with *Plan Cincinnati* within the Live Initiative Area’s Goals to “Create a more livable community” (p. 156) and “Provide a full spectrum of housing options and improve housing quality and affordability” (p. 164).

Rent	Affordable to Salary	City Jobs (Min Salary exceeds affordable salary)
\$1500.00	\$60,000.00	Laboratory Assistant, Supervising Clerk, Clerk Typist 2,

AMI	1	2	3	4	5	6	7	8
30%	\$20,100	\$22,950	\$25,800	\$28,650	\$32,470	\$37,190	\$49,910	\$46,360
50%	\$33,450	\$38,200	\$43,000	\$47,750	\$51,600	\$55,400	\$49,250	\$63,050
60%	\$40,140	\$45,840	\$51,600	\$57,300	\$61,920	\$66,480	\$59,100	\$75,660
80%	\$53,520	\$61,120	\$68,800	\$76,400	\$82,560	\$88,640	\$78,800	\$100,880

PROPOSED INCENTIVE

DCED is recommending a net Fifty-two (52%) commercial real estate tax abatement with a term of fifteen (15) years applying to the construction activity at the property. The rate is based on a 100% gross abatement but takes into consideration (i) a required 33% payment in lieu of taxes to the Cincinnati School Board and (2) the Company’s representation that it is entering into a Voluntary Tax Incentive Contribution Agreement. This offer is based on the above investment and job creation assumptions, which would become commitments that 312 W Holdings LLC would be required to meet.

Pursuant to the Commercial CRA policy established by City Council, this project is located within the Streetcar VTICA Area and is therefore subject to analysis based on project underwriting, VTICA contribution, and job creation to determine abatement terms. The project merits a fifteen-year, net 52% CRA Tax Abatement based on the following criteria:

- Project underwriting revealed a low cash-on-cash rate of return without the incentive at 5% and with the incentive at 6%.
- Net 15% Streetcar VTICA contribution estimated to total \$10,688 over the term
- Project will retain two full-time positions with a total annual payroll of approximately \$80,000 and create an estimated 6 temporary construction jobs with an estimated total annual payroll of \$276,000.
- The incentive will help preserve a historic building while providing a higher return on investment to the City.

SUMMARY	
Incentive Value	
Annual Net Incentive to Developer	\$3,705
Total Term Incentive to Developer	\$55,577
City's Portion of Property Taxes Forgone (Term)	\$0
City's TIF District Revenue Forgone (Term)	\$78,022
Public Benefit	
CPS PILOT	
Annual CPS Pilot	\$2,351
Total Term CPS PILOT	\$35,270
VTICA	
Annual VTICA	\$1,069
Total Term VTICA	\$16,032
Income Tax (Max)	\$135,122
Total Public Benefit (CPS PILOT/VTICA /Income Tax)	\$186,424
Total Public Benefit ROI*	\$3.35
City's ROI**	\$2.39

*This figure represents the total dollars returned for public purposes (City/Schools/Other) over the benefit received. This figure may be less than \$1.00 if meeting specific City policy objectives that are non-financial or project has limited likelihood to proceed without incentive

**This figure represents the total dollars returned for City/VTICA over the City's property taxes forgone. This figure may be less than \$1.00 if meeting specific City policy objectives that are non-financial or project has limited likelihood to proceed without incentive

PROFORMA WITHOUT ABATEMENT (YEARS 1-15)	
Revenue	\$162,899
Operating Expenses and Reserves	\$90,185
Net Operating Income	\$72,714
Debt Service	\$52,731
Cash Flow After Debt Service	\$19,983
Cash on Cash Return	5%

PROFORMA WITH ABATEMENT (YEARS 1-15)	
Revenue	\$162,899
Operating Expenses and Reserves	\$85,938
Net Operating Income	\$76,961
Debt Service	\$52,731
Cash Flow After Debt Service	\$24,230
Cash on Cash Return	6%

PROJECT TEAM & TIMELINE

The project team (listed below) will make themselves available at the request of the council member(s).

- Assistant City Manager: William Weber
- DCED Director: Markiea Carter
- Project Attorney: Kaitlyn Geiger

The anticipated council timeline, which includes two Budget and Finance meetings if necessary is as follows:

- November 30, 2022: Introduction to City Council
- December 5, 2022: Budget and Finance (1)
- December 12, 2022: Budget and Finance (2)
- December 15, 2022: City Council for Final Approval

RECOMMENDATION

The Administration recommends approval of this Ordinance.

Attachment: A. Property location and photographs

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

Attachment A: Location and Photographs



Property Location



312 W 4th Street