

June 3, 2020

To: Mayor and Members of City Council 202102093
From: Paula Boggs Muething, City Manager
Subject: **CRA TAX EXEMPTION FOR BROADWAY SQUARE IV, LLC**

Attached is an Emergency Ordinance captioned as follows:

APPROVING AND AUTHORIZING the City Manager to execute a *Community Reinvestment Area Tax Exemption Agreement* with Broadway Square IV, LLC, an affiliate of The Model Group, Inc., and the Port of Greater Cincinnati Development Authority, thereby authorizing a 15-year tax exemption for 100% of the value of improvements made to real property located at 418-424 E. 12th Street, 555 E. 13th Street, and 1409 Main Street in the Over-the-Rhine neighborhood of Cincinnati, connection with the remodeling of the existing buildings into approximately 4,272 square feet of commercial retail and office space and approximately 15,539 square feet of residential space consisting of 31 residential units, at a total construction cost of approximately \$5,178,022.

BACKGROUND/CURRENT CONDITIONS

Broadway Square IV is the \$8.4 million fourth phase of The Model Group's \$40 million Broadway Square master development plan in the Pendleton and Over-the-Rhine neighborhoods. Located at 418-424 E. 12th Street, 555 E. 13th Street, and 1409 Main Street, the scattered site, mixed-use project includes a gut rehab of six historic buildings and will yield 31 apartment units, with a mix of affordable and market-rate, and 4,272 square feet of street-level commercial space. This project is being funded through a combination of developer equity, traditional debt, state and federal historic tax credits, as well as new market tax credits. Additionally, in September 2020, the City awarded the project a loan of \$400,000 in City Capital funds through DCED's 2020 Notice of Available Funding (NOFA).

DEVELOPER INFORMATION

Broadway Square IV, LLC is a limited liability corporation operated by The Model Group (TMG). TMG has developed more than \$750 million in real estate, including

over 400 historic properties in Ohio. TMG has extensive experience in developing mixed-use, mixed-income projects, particularly in the Pendleton and Over-the-Rhine neighborhoods.

PROJECT DESCRIPTION

The scattered-site, mixed-use project consists of the full gut rehabilitation of four historic buildings as well as the rehabilitation of the ground floor commercial space of two additional historic buildings for the creation of 31 residential rental units and 4,272 square feet of commercial space. Of the 31 rental residential units, 20 will be maintained as affordable, with six (6) to be made affordable to households earning 60 percent of the Area Median Income (AMI) and fourteen (14) affordable to households earning 80 percent of the AMI. The remaining eleven will be market rate with monthly rents ranging between \$850 and \$1,050. The unit count by type is 15 studio and 16 one-bedroom units. Lead and asbestos remediation are required.

The total project cost is approximately \$8.4 million with construction costs estimated to be approximately \$5.2 million. In addition to the \$400,000 City NOFA loan, Broadway Square IV will attract approximately \$2 million in Federal New Market Tax Credits, \$1.1 million in Federal Historic Tax Credit equity, \$638,000 in State Historic Tax Credit equity, and \$2.5 million in traditional debt.

The project will be done to National Parks Service Historic Guidelines and is targeting Enterprise Green Communities certification. Construction is anticipated to be completed in 13 months and is expected to create 107 temporary construction jobs with an annual payroll of \$2.5 million. Following completion, the project will create 9 full time jobs with an annual payroll of \$400,000 and 8 part time jobs with an annual payroll of \$120,000.

Broadway Square IV achieves Plan Cincinnati's Live Goal 3 (pages 164-178) by providing a full spectrum of housing options and improving housing quality and affordability. Additionally, the project accomplishes Plan Cincinnati's Live Goal 2 (pages 156-163) of creating a more livable community by activating property that has long been vacant in both the Pendleton and Over-the-Rhine neighborhoods.

PROPOSED INCENTIVE

DCED is recommending a 15-year, net 52% CRA tax exemption based on the 15% VTICA contribution and financial underwriting.

Pursuant to the Commercial CRA policy established by City Council, this project is located in 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 15-year net 52% CRA Tax Abatement based on the following criteria:

- Net 15% Streetcar VTICA contribution totals to \$157,343
- Financial underwriting showed that the project was in need of direct monetary assistance via NOFA, and thus, also in need of an abatement.
- The Project will create 107 temporary construction jobs with a total payroll of \$2.5 million, 9 permanent full-time jobs with a total annual payroll of \$400,000, and 8 permanent part-time jobs with a total annual payroll of \$120,000.
- Project provides a \$2.56 return for every dollar of City investment.

| SUMMARY | |
|--|------------------|
| Incentive Value | |
| Annual Net Abatement (Savings to Developer) | \$36,364 |
| Total Term Net Abatement (Savings to Developer) | \$545,457 |
| City's Portion of Property Taxes Forgone | \$135,379 |
| Public Benefit | |
| CPS PILOT | |
| Annual CPS Pilot | \$23,077 |
| Total Term CPS PILOT | \$346,155 |
| VTICA | |
| Annual VTICA | \$10,490 |
| Total Term VTICA PILOT | \$157,343 |
| Income Tax (Max) | \$189,150 |
| New Permanent Jobs | 17 |
| Total Public Benefit (CPS PILOT/VTICA PILOT/Income Tax) | \$692,649 |
| Total Public Benefit ROI | \$1.27 |
| City's ROI | \$2.56 |

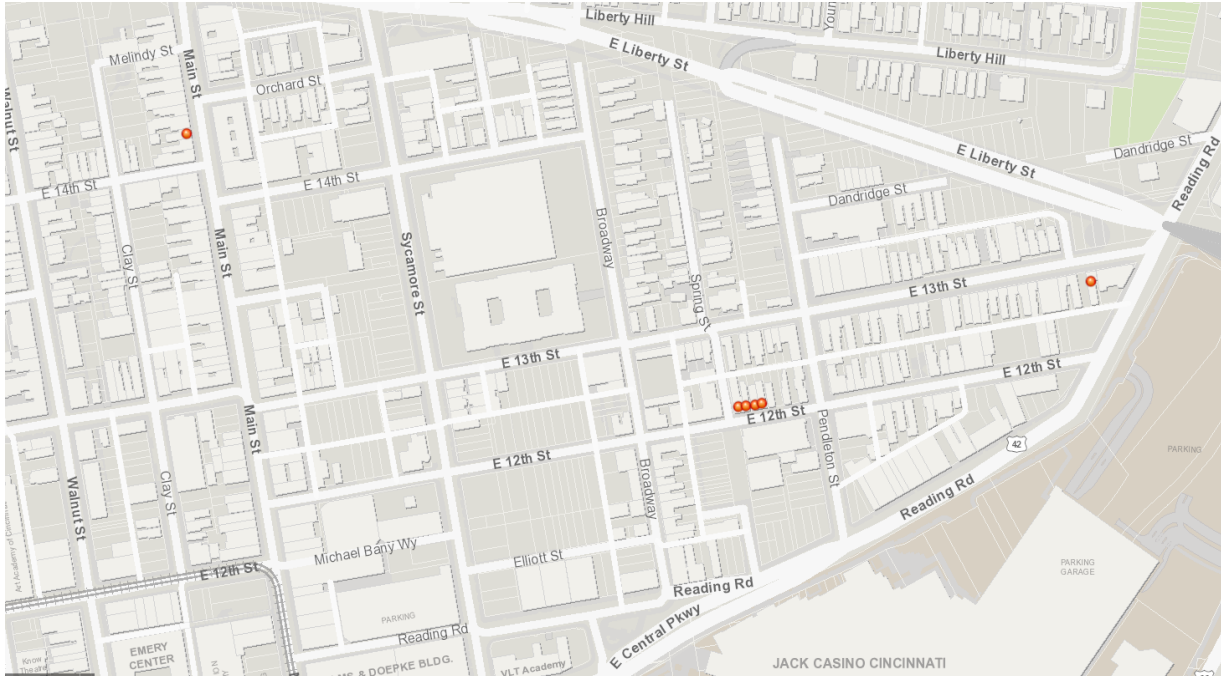
RECOMMENDATION

The Administration recommends approval of this Emergency Ordinance.

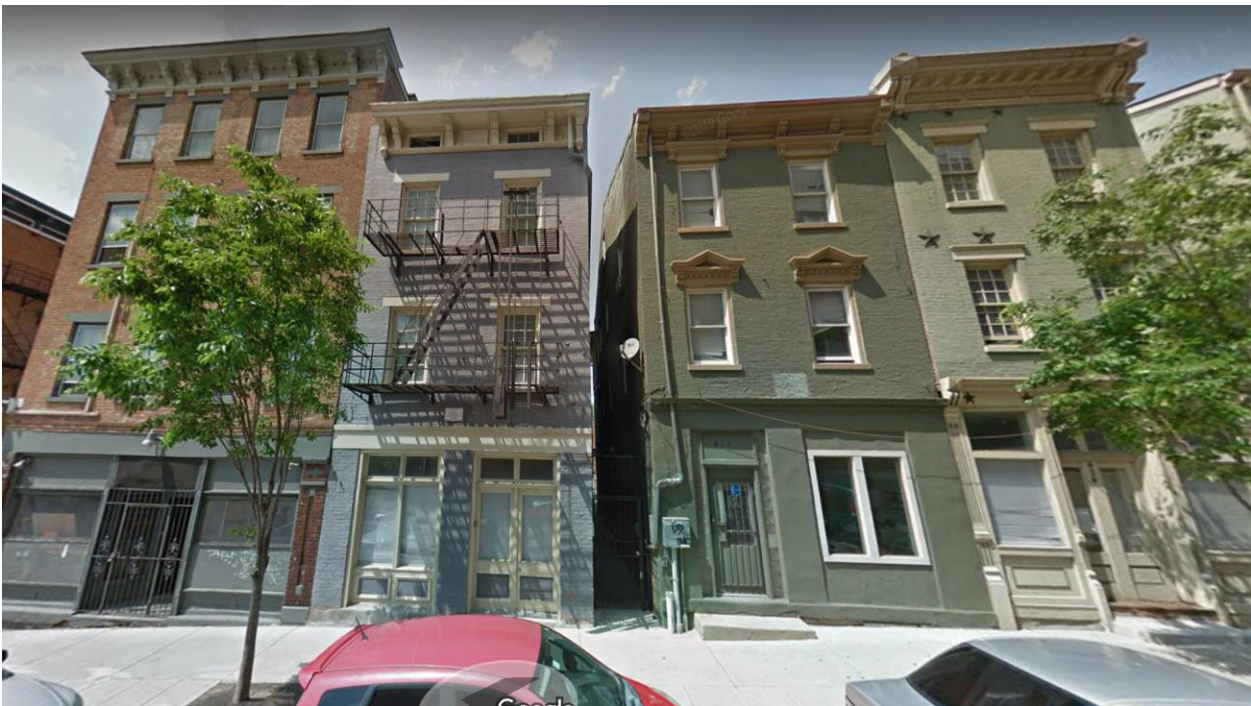
Attachment: A. Property location and photographs

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

Attachment A: Location and Photographs



Property Location



(left to right): 418, 420, 422, 424 E 12th Street



555 E 13th Street



1409 Main Street