

September 28, 2022

To: Mayor and Members of City Council

From: Sheryl M. M. Long, City Manager *SW* 202201736

Subject: EMERGENCY ORDINANCE – CRA AGREEMENT WITH Kaladin LLC

Attached is an Ordinance captioned:

APPROVING AND AUTHORIZING the City Manager to execute a *Community Reinvestment Area Tax Exemption Agreement* with Kaladin LLC, thereby authorizing a 15-year tax exemption for 100% of the value of improvements made to real property located at 1923-1927 Elm Street and 201-207 Henry Street in the Over-the-Rhine neighborhood of Cincinnati, in connection with the remodeling of an existing building into approximately 15,303 square feet of residential space, with 20 apartment units, at a total remodeling cost of approximately \$1,666,557.

BACKGROUND/CURRENT CONDITIONS

Kaladin LLC (the “Developer”) owns the 168-year-old building located at 1923 Elm Street in Over-the-Rhine and which has been vacant since at least 2008. Given the age of the property and its length of being vacant, it requires substantial reinvestment to bring it to market standards for rental units.

DEVELOPER INFORMATION

Kaladin LLC is affiliated with Kunst Development. Kunst Development LLC has fully renovated 4 other vacant buildings in Over-the-Rhine and one in Walnut Hills. Kunst is also in the process of renovating 5 other properties in Cincinnati.

PROJECT DESCRIPTION

The Developer plans to remodel the 168-year-old building into approximately 15,303 square feet of residential space, with 20 one-bedroom apartment units, with monthly rents ranging from \$690 to \$1,280. The total project cost is expected to be approximately \$3,465,335. The project will support the creation of 1 Full-Time Equivalent jobs with \$40,000 in annual payroll and 16 temporary construction jobs with \$700,036 in annual payroll.

PROPOSED INCENTIVE

DCED is recommending a 100% (net 52%), 15-year CRA tax exemption for this property.

The exemption applies only to the increase in value of the building attributable to the project improvements.

Pursuant to the Commercial CRA policy established by City Council, this project is located within the Streetcar VTICA Area and is therefore eligible for a 100% (net 52%), 15-year tax exemption. The project merits a fifteen-year, net 52% CRA Tax Abatement based on the following criteria:

- This project would not be financially feasible without a property tax incentive.
- Net 15% Streetcar VTICA contribution totals to \$82,088.
- The project will support the creation of 1 Full-Time Equivalent job with \$40,000 in annual payroll and 16 temporary construction jobs with \$1,400,073 in annual payroll.

Incentive Value	
Annual Net Incentive to Developer	\$14,862
Total Term Incentive to Developer	\$222,934
City's Portion of Property Taxes Forgone	\$60,249
Public Benefit	
CPS PILOT	
Annual CPS Pilot	\$9,432
Total Term CPS PILOT	\$141,477
VTICA	
Annual VTICA	\$4,287
Total Term VTICA	\$64,308
Income Tax (Max)	\$61,203
Total Public Benefit (CPS PILOT/VTICA /Income Tax)	\$266,988
Total Public Benefit ROI*	\$1.20
City's ROI*	\$4.43

*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. Note that the City's underwriting indicates the project is unlikely to proceed without incentive.

PROFORMA WITHOUT ABATEMENT	
Revenue	\$280,099
Operating Expenses and Reserves	\$212,705
Net Operating Income	\$67,394
Debt Service	\$62,092
Cash Flow After Debt Service	\$5,301
Cash on Cash Return	1%

PROFORMA WITH ABATEMENT	
Revenue	\$280,099
Operating Expenses and Reserves	\$155,949
Net Operating Income	\$124,150
Debt Service	\$101,896
Cash Flow After Debt Service	\$22,254
Cash on Cash Return	3%

Market rate of return: ~8-10%

PROJECT TEAM & TIMELINE

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

- Assistant City Manager: Billy Weber (Ext. 3318)
- DCED Director: Markiea Carter (Ext. 1953)
- Project Attorneys: Samantha Brandenburg (Ext. 4704)

The anticipated Council timeline is as follows:

- September 14, 2022: Introduction to Council
- September 19: Budget and Finance (1)
- September 26: Budget and Finance (2)
- September 28: City Council for Final Approval

RECOMMENDATION

The Administration recommends approval of this Ordinance.

The project will bring a currently vacant building back into multi-family residential use in Over-the-Rhine, further adding to the neighborhood's vibrancy. After 168 years, this property requires substantial reinvestment to bring it to market standards, and to enable it to contribute positively in the forthcoming decades.

Attachment: A. Property location and photographs

CRA Agreement

1923 Elm Street

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

Attachment A: Property Location and Photographs



Property Location



1923 Elm Street