

June 3, 2021

To: Mayor and Members of City Council

From: Paula Boggs Muething, City Manager *CB for PBM*

202102092

Subject: **CRA TAX EXEMPTION AGREEMENT FOR 60 EAST, 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 60 East LLC, thereby authorizing a 12-year tax exemption for 100% of the value of improvements made to real property located at 60 E. McMicken Avenue in the Over-the-Rhine neighborhood of Cincinnati, in connection with the remodeling of the existing buildings into approximately 5,220 square feet of residential space, consisting of 5 two-bedroom residential units, and 1,800 square feet of commercial space, at a total construction cost of approximately \$1,178,160.

BACKGROUND/CURRENT CONDITIONS

60 East, LLC owns and intends to renovate the property located at 60 E McMicken Avenue in Over-the-Rhine, between Sharp Alley and Lang Street. The property contains two buildings that have long been vacant and in severe disrepair. After acquiring the property in 2020, 60 East, LLC completed emergency stabilization repairs, but the buildings still require substantial renovation to become habitable. In September 2020, the project was awarded a Notice of Funding Availability (NOFA) loan of \$280,000 in City Capital funding.

DEVELOPER INFORMATION

60 East, LLC is a limited liability corporation 100% owned by 8K Development, a Cincinnati-based developer and registered SBE. 8K and its affiliates have been in operation since 2009 and have grown into an integrated construction and property development company specializing in historic renovations. 8K has completed numerous historic rehab projects as developer and general contractor, including nearby renovation projects at 57 E McMicken Avenue and 1714 Vine Street.

PROJECT DESCRIPTION

The Developer is proposing the renovation of the three-story property located at 60 E McMicken Avenue to include five (5) two-bedroom residential rental units and one (1) 1,800 square foot storefront intended for an office tenant. Residential rents will be

approximately \$1,100 per month and all 5 units will be affordable to households not to exceed 80% of the Area Median Income (AMI) for 10 years. Total project cost is estimated to be

\$1,370,000, with hard construction cost estimated to be \$1,178,160. The project is estimated to take 12 months to complete and is anticipated to create 10 temporary construction jobs with an estimated total payroll of \$600,000. Following completion, the project is anticipated to create five (5) full time permanent jobs with an annual payroll of \$300,000.

PROPOSED INCENTIVE

DCED is recommending a 12-year, net 52% CRA tax exemption. The exemption applies only to the increase in improvement value attributed to the renovation.

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 12-year, net 52% CRA Tax Abatement based on the following criteria:

- The project will create five (5) units of affordable housing at 80% AMI for 10 years.
- Financial underwriting showed that the project was in need of direct monetary assistance via NOFA, and thus, also in need of an abatement.
- Net 15% Streetcar VTICA contribution totals \$39,381 over 12 years.
- The project is anticipated to create 10 temporary construction jobs with a total annual payroll of \$600,000 and five (5) full time permanent jobs with a total annual payroll of \$300,000.
- The project anticipates a \$3.39 return for each dollar of City investment.

SUMMARY	
Incentive Value	
Annual Net Abatement (Savings to Developer)	\$11,377
Total Term Net Abatement (Savings to Developer)	\$136,519
City's Portion of Property Taxes Forgone	\$33,883
Public Benefit	
CPS PILOT	
Annual CPS Pilot	\$7,220
Total Term CPS PILOT	\$86,637
VTICA	
Annual VTICA	\$3,282
Total Term VTICA PILOT	\$39,381
Income Tax (Max)	\$75,600
New Permanent Jobs	5
Total Public Benefit (CPS PILOT/VTICA PILOT/Income Tax)	\$201,618
Total Public Benefit ROI	\$1.48
City's ROI	\$3.39

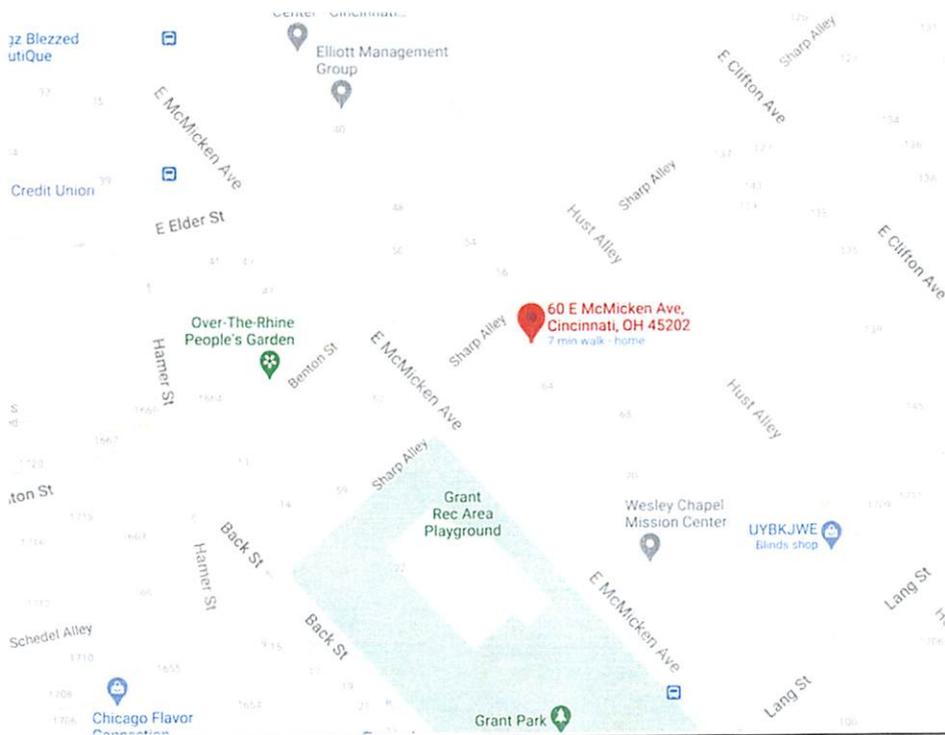
RECOMMENDATION

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



60 E McMicken Avenue