

August 2, 2021

To: Members of the Budget and Finance Committee

From: Paula Boggs Muething, City Manager

WJF
PDM

202102528

Subject: Emergency Ordinance – Approving and Authorizing CRA Tax Exemption Agreement with KeyMark, LLC

Attached is an Emergency Ordinance captioned:

APPROVING AND AUTHORIZING the City Manager to execute a *Community Reinvestment Area Tax Exemption Agreement* with CH KeyMark LLC, thereby authorizing a 15-year tax exemption for 100% of the value of improvements made to real property located at 5906-5910 and 6060 Hamilton Avenue in the College Hill neighborhood of Cincinnati, in connection with the remodeling of 3 existing buildings to create 15,100 square feet of residential space consisting of 26 apartments, 3,395 square feet of commercial office space, and 1,487 square feet of commercial retail space, at a total construction cost of approximately \$3,632,132.

BACKGROUND/CURRENT CONDITIONS

The proposed development comprises three vacant and blighted buildings located at 6060 Hamilton Avenue, 5904 Hamilton Avenue, and 5910 Hamilton Avenue in the College Hill neighborhood of Cincinnati. 6060 Hamilton Avenue, commonly referred to as the Megard Lanes building, was purchased in 2018 through an NBDIP Grant from the City of Cincinnati. Additionally, College Hill Community Urban Redevelopment Corporation purchased 5904 and 5910 Hamilton Avenue in December 2018 as part of a more extensive acquisition. The Developer packaged the properties in a Request For Proposal that highlighted the risk and subsequent difficulty to develop these properties in addition to Hollywood Theatre. Following COVID-19, College Hill CURC pared down its development package and submitted the KeyMark development to the City's 2020 Notice of Funding Availability, through which it was awarded a \$1,000,000 loan.

DEVELOPER INFORMATION

CH KeyMark, LLC is a partnership between College Hill Community Urban Redevelopment Corporation (CHCURC) and 8K Development Corporation (8K). CHCURC is the community development corporation of the College Hill neighborhood of Cincinnati. CHCURC has been responsible for more than \$54 million in neighborhood revitalization improvement over the past ten years. In addition, 8K Development has completed over \$10 Million in development projects, many of which involved affordable housing and historic rehabilitation.

PROJECT DESCRIPTION

KeyMark, LLC is to lead the rehabilitation of a twenty-six (26) unit mixed-use development. 5910 Hamilton Avenue shall be converted into a community center that will consist of 1,300 square feet of commercial space, 1,300 square feet of office space for CHCURC, and a co-working space. 6060 Hamilton Avenue includes fifteen (15) residential units, a mix of studio and one-bedroom apartments ranging from 575 square feet to 750 square feet. 5904 Hamilton Avenue is to include eleven (11) 750 square feet one-bedroom units. All twenty-six (26) units shall be affordable to households earning eighty percent (80%) or less of the Area Median Income (AMI). These affordable monthly rents will range from \$450 for a studio to \$750 for a one-bedroom.

The total project cost is anticipated to be \$5,812,582 with construction costs at anticipated at \$3,632,132. Construction is also anticipated to create twenty-five (25) temporary construction jobs with a total annual payroll of \$1.3 million as well as eighteen and a half (18.5) permanent on-site jobs in case management and facilities management generating \$852,712 in annual payroll.

This project achieves Goal 3 of the Live Initiative Area of *Plan Cincinnati* (pages 164-178) by providing a full spectrum of housing options and improving housing quality and affordability. Additionally, the project accomplishes Goal 2 of the Live Initiative Area of *Plan Cincinnati* (pages 156-163) by creating a more livable community by activating property that has been vacant.

PROPOSED INCENTIVE

DCED is recommending a 15-year, net 67% 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 was deemed undercapitalized. Therefore, the project is subject to financial gap analysis that proved the need for the recommended incentive. Accordingly, the project merits a fifteen-year (15-year) net 67% CRA tax abatement based on the following criteria.

- The deep affordability requirements set by the City awarded HOME funds.
- The absence of a tax abatement would reduce cash flow, and the project would not support the debt service required to complete the construction.
- Project meets HOME funds financial feasibility requirements with abatement.

SUMMARY	
Incentive Value	
Annual Net Abatement (Savings to Developer)	\$45,190
Total Term Net Abatement (Savings to Developer)	\$677,848
City's Portion of Property Taxes Forgone	\$130,573
Public Benefit	
CPS PILOT	
Annual CPS Pilot	\$22,258
Total Term CPS PILOT	\$333,865
VTICA	
Annual VTICA	\$0
Total Term VTICA PILOT	\$0
Income Tax (Max)	\$300,432
New Permanent Jobs	18.5
Total Public Benefit (CPS PILOT/VTICA PILOT/Income Tax)	\$634,298
Total Public Benefit ROI	\$0.94
City's ROI	\$2.30

PROJECT TEAM & TIMELINE

The project's legislative team (listed below) is available to answer questions regarding this project.

- Assistant City Manager: Billy Weber (Ext. 3318)
- DCED Deputy Director: Dan Bower (Ext. 1955)
- Project Attorney: Kaitlyn Geiger (Ext. 4544)

The anticipated council timeline is as follows:

- August 2, 2021: Budget and Finance (1)
- August 4, 2021: City Council for Final Approval

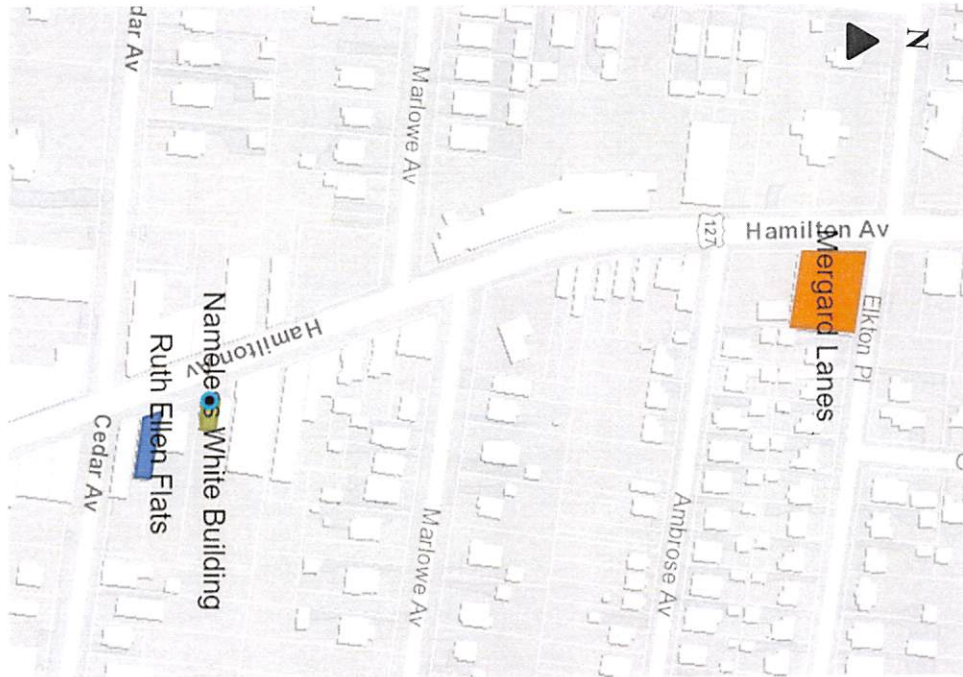
RECOMMENDATION

The Administration recommends approval of this Emergency Ordinance. This is an emergency ordinance so that the developer can begin construction as soon as possible preserving both the historic tax credit allocation and the new market tax credit allocation as well as construction pricing.

Attachment: A. Property location and photographs

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

Attachment A: Location and Photographs



5000 to 6000 Block of Hamilton Avenue College Hill



*6060 Hamilton Avenue
(Mergard Lanes)*



*5910 Hamilton Avenue
(Ruth Ellen Flats)*



*5904 Hamilton Avenue
(Nameless White Building)*