

City of Cincinnati



202000967

August 3, 2020

To: Mayor and Members of City Council

From: Paula Boggs Muething, Interim City Manager *CAB & PBM*

Subject: **LEED-CRA COMMERCIAL TAX EXEMPTION FOR ROOST BUILDERS LLC**

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Attached is an Emergency Ordinance captioned as follows:

**APPROVING AND AUTHORIZING** the City Manager to execute a Community Reinvestment Area Tax Exemption Agreement (LEED or Living Building Challenge) with Roost Builders LLC and Roost Properties LLC, thereby authorizing a 15-year tax exemption for 100% of the value of improvements made to real property located at 3244 Fairfield Avenue in the Evanston neighborhood of Cincinnati, in connection with the remodeling of one existing building into approximately 6,300 square feet of residential space, consisting of 11 residential rental units, and approximately 1,100 square feet of commercial office space, which remodeling shall be completed in compliance with Leadership in Energy and Environmental Design Silver, Gold or Platinum standards or Living Building Challenge standards, at a total remodeling cost of approximately \$780,756.

#### **BACKGROUND/CURRENT CONDITIONS**

3244 Fairfield Avenue ("Property") is a blighted, vacant mixed-use building located at the intersection of Hewitt and Fairfield Avenues in Evanston. This building has contributed to the blighted state of Hewitt Avenue near the Evanston Five Points business district, however the area is seeing signs of public and private investment. The Hamilton County Land Reutilization Corporation ("HCLRC") acquired the Property for the purpose of identifying a developer to renovate it. HCLRC has entered into a purchase and sale agreement with the developers to stabilize and renovate the Property into residential apartments and commercial space.

#### **DEVELOPER INFORMATION**

Roost Builders LLC and its affiliate Roost Properties LLC (jointly, "Developer") plan to transform the subject property into a viable mixed-use building for many years to

come. Roost Builders is a development company that specializes in custom designed, LEED certified homes and modular new construction homes, and also does renovation projects. Roost Builders is also planning a separate project at the subject intersection across the street from the Property where they plan to construct 5 new single family homes on previously blighted and cleared lots.

### **PROJECT DESCRIPTION**

The Developer intends to invest a total of approximately \$971,755 to acquire, stabilize, and renovate the Property into 11 residential apartments and 1,100 square feet of office space to LEED Silver standards ("Project"). The apartments are planned as small, 1-bedroom apartments averaging just under 600 square feet, as well as one studio apartment. The apartments are proposed to be rented at market rates. There is no affordability requirement for a tax abatement, however the anticipated \$900 rents would be considered affordable for 1- or 2-person households earning 80% of area median income, which is considered moderate income. Such housing is also sometimes referred to as workforce housing.

The commercial storefront space will be leased, fully or in part, to Roost Builders or affiliate(s) for its offices. As a result, the Project is anticipated to create or retain 8 FTE office jobs and \$444,000 of permanent annual payroll in the city of Cincinnati, as well as 3 temporary construction jobs.

In addition to creating jobs and housing, it is hoped that the Project will encourage needed further development in and around the Evanston Five Points district and that it will demonstrate the market feasibility of such apartments and commercial renovations in Evanston.

The Project and the proposed incentive supports the following 'Compete' and 'Live' items within *Plan Cincinnati*: Encourage "small and medium-sized local businesses to locate within centers of activity to help businesses grow and neighborhoods revitalize" ('Compete,' p. 116) and "provide a full spectrum of housing options, and improve housing quality and affordability" ('Live,' p. 164).

### **PROPOSED INCENTIVE**

DCED is recommending a net 60% commercial tax abatement for a 15-year term.

Under the current tax abatement scorecard established by City Council, the Project would score 7 points based on achieving LEED Silver certification, demonstrating a high level of financial need, and contributing 7% VTICA. However, for the below reasons, DCED considers the project to be an Undercapitalized Project in accordance with Section 3(c) of Ordinance No. 275-2017, as amended, pursuant to City Council's Commercial CRA policy, and so the recommendation is to provide the net 60% abatement notwithstanding the points determination.



In part as a result of years of neglect and recent fire damage and because the Project does not attract other public subsidy, this historic property's full renovation represents a challenging and risky project providing a limited return on investment, and is in a location where the rents required for new construction or renovations have not yet been proven. The Project would not generate sufficient cash flow for the Developer to make the investment without a net 60%, 15-year tax abatement. DCED wishes to encourage developers to undertake such difficult developments that create more and better housing units, including affordable units in keeping with the findings of the Balanced Development Report (Item #201901733), more specifically the City's lack of new housing supply relative to housing demand. The Project also benefits a neighborhood in need of many more jobs and quality housing units. The renovation of this building will enhance the community of Evanston and transform a blighted property. For these reasons, an exception to the points determination is warranted.

**SUMMARY****Forgone Public Benefit if Project Does not Proceed**

CPS PILOT (Forgone New Revenue)	(\$78,559)
VTICA (Forgone New Revenue)	(\$16,664)
Income Tax (Forgone New Revenue)	(\$142,128)
<b>Total Public Benefit Lost</b>	<b>(\$237,351)</b>

**Incentive Value**

Annual Net Incentive to Developer	\$9,522
<b>Total Term Incentive to Developer</b>	<b>\$142,834</b>
<b>City's Portion of Property Taxes Forgone</b>	<b>\$30,724</b>

**Public Benefit**

CPS PILOT	
Annual CPS Pilot	\$5,237
Total Term CPS PILOT	\$78,559
VTICA	
Annual VTICA	\$1,111
Total Term VTICA	\$16,664
Income Tax (Max)	\$142,128
<b>Total Public Benefit (CPS PILOT/VTICA /Income Tax)</b>	<b>\$237,351</b>

Total Public Benefit ROI*	\$1.66
City's ROI*	\$7.73

\*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

**RECOMMENDATION**

The Administration recommends approval of this Emergency Ordinance.

Attachment: A. Property location and photographs

Copy: Markiea Carter, Interim Director, Department of Community & Economic Development *mcrc*

**Attachment A: Property Location and Photographs**



*3244 Fairfield Avenue*