

August 2, 2021

To: Members of the Budget and Finance Committee

From: Paula Boggs Muething, City Manager *Paul Boggs*

202102526

Subject: Emergency Ordinance – Approving and Authorizing CRA Tax Exemption Agreement with 254 Mohawk, LLC

Attached is an Emergency Ordinance captioned:

APPROVING AND AUTHORIZING the City Manager to execute a *Community Reinvestment Area Tax Exemption Agreement* with 254 Mohawk LLC, thereby authorizing a 12-year tax exemption for 100% of the value of improvements made to real property located at 254 Mohawk Street in the Over-the-Rhine neighborhood of Cincinnati, in connection with the remodeling of two existing buildings to create approximately 3,655 square feet of residential space consisting of 9 residential units, at a total construction cost of approximately \$725,847.

BACKGROUND/CURRENT CONDITIONS

254 Mohawk, LLC owns and will undertake the renovation of the property located at 254 Mohawk Street in the Mohawk area of Over-the-Rhine. The property contains two historic buildings that are in severe disrepair and have been vacant for over 20 years. 254 Mohawk, LLC purchased the property from the City in 2020 for the appraised value of \$2,000 after an initial Request for Proposals released in 2018 was unawarded. In December 2020, the project was awarded State and Federal Historic Tax Credits.

DEVELOPER INFORMATION

254 Mohawk, LLC is a subsidiary of Kunst Development, LLC, a Cincinnati-based development company owned by John Blatchford. Kunst has completed several historic rehab projects in northern Over-the-Rhine including 205 -207 West McMicken, 222 Mohawk, and 1733 Elm.

PROJECT DESCRIPTION

Developer will complete a historic renovation of the two buildings to create nine (9) residential units, which include five (5) one-bedroom units and four (4) units in a co-living space. Rents will be market rate and range from \$620 for a co-living unit to \$960 for a one-bedroom loft unit.

Total project cost is projected to be \$855,394, with construction cost at \$725,847. The project is estimated to take 24 months to complete and will support the creation of 18 temporary construction jobs with a total annual payroll of \$250,000. The project will create 0.5 permanent FTE jobs in property management with a total annual payroll of \$18,000. Developer intends to commence construction upon the execution of a CRA Agreement.

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 achieves Goal 2 of the Live Initiative Area of *Plan Cincinnati* (pages 156-163) by creating a more livable community by activating property that has long been vacant in the northern portion of the Over-the-Rhine neighborhood.

PROPOSED INCENTIVE

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

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% abatement based on the following criteria:

- Underwriting project, a low cash-on-cash rate of return
- Fifteen percent annual Streetcar VTICA contribution totals to \$24,262 over the 12-year period
- Project creates 18 temporary construction jobs and provides a \$1.78 return for every dollar of City investment.

| SUMMARY | |
|--|-----------------|
| Incentive Value | |
| Annual Net Abatement (Savings to Developer) | \$7,009 |
| Total Term Net Abatement (Savings to Developer) | \$84,107 |
| City's Portion of Property Taxes Forgone | \$20,875 |
| Public Benefit | |
| CPS PILOT | |
| Annual CPS Pilot | \$4,448 |
| Total Term CPS PILOT | \$53,376 |
| VTICA | |
| Annual VTICA | \$2,022 |
| Total Term VTICA PILOT | \$24,262 |
| Income Tax (Max) | \$12,888 |

| | |
|--|-----------------|
| New Permanent Jobs | 0.5 |
| Total Public Benefit (CPS PILOT/VTICA PILOT/Income Tax) | \$90,526 |
| Total Public Benefit ROI | \$1.08 |
| City's ROI | \$1.78 |

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
- August 4, 2021: City Council for Final Approval

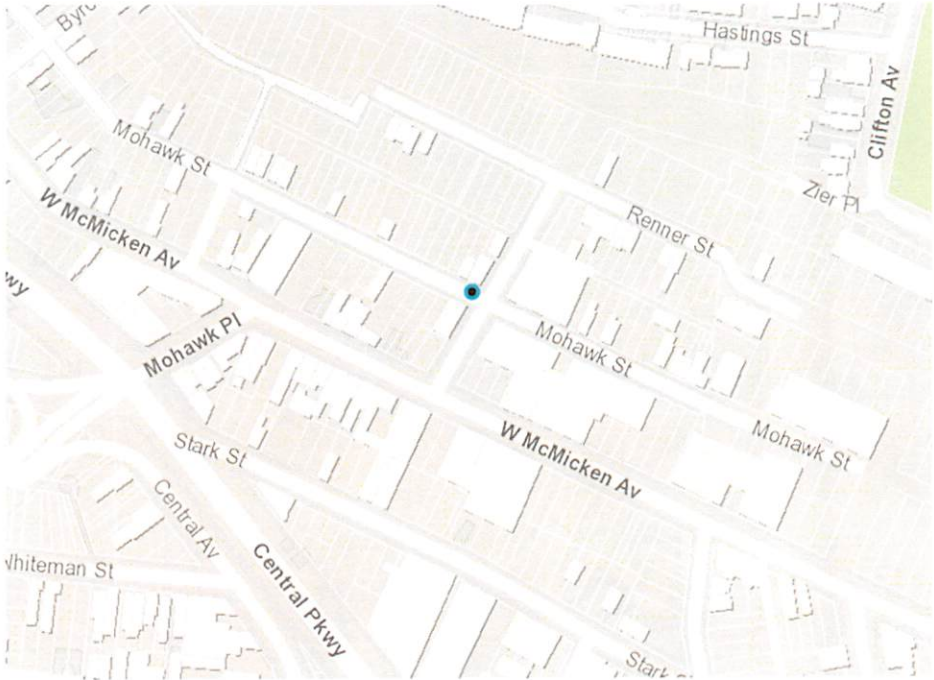
RECOMMENDATION

The Administration recommends approval of this Emergency Ordinance. The emergency clause is needed so that the project can meet its construction commencement deadlines.

Attachment: A. Property location and photographs

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

Attachment A: Location and Photographs



Project Location



254 Mohawk Street Images