

September 28, 2020

To: Mayor and Members of City Council **202001689**

From: Paula Boggs Muething, Interim City Manager

Subject: **CRA TAX EXEMPTION FOR 2330 VP APARTMENTS, 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 2330 VP Apartments, LLC, thereby authorizing a 15-year tax exemption for 100% of the value of improvements made to real property located at 2332 Victory Parkway in the Walnut Hills neighborhood of Cincinnati, in connection with the remodeling of an existing building into approximately 35,173 square feet of residential space, approximately 6,400 square feet of office space, and approximately 1,240 square feet of commercial 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 \$2,100,000.

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

The project is located at 2330 Victory Parkway in the East Walnut Hills neighborhood. The property includes an eight-story office building that the applicant reports as mostly vacant. The building also includes structured parking below the ground level.

#### **DEVELOPER INFORMATION**

2330 VP Apartments, LLC is a subsidiary of Alaya Properties, a property management and development company based in Cincinnati. They manage multi-family properties in Cincinnati and Northern Kentucky and have renovated multi-family properties in Clifton and Northside. Sandesh Samdaria is the company manager.

**PROJECT DESCRIPTION**

This project will result in the rehabilitation of an approximately 43,000 square foot mixed-use building. The first floor will include two small storefronts as well as approximately 6,000 SF of office space. The remaining floors will include 37 residential rental units. There are projected to be 12 one-bedroom units and 25 two-bedroom units, with monthly rent ranging from \$1,156 to \$1,388. The cost of construction is estimated to be \$2.1 million and the total project cost is estimated be \$2.8 million. The project is projected to take 9 months to complete.

As a result of the project, *the* developer commits to the creation of 15 temporary construction jobs with \$500,000 in one-time payroll and 24 permanent, full-time jobs with \$720,000 in annual payroll.

The project is in accordance with the “Live” goal to “Create a more livable community” and strategy to “Support and stabilize our neighborhoods” as described on pages 156-163 of Plan Cincinnati.

**PROPOSED INCENTIVE**

DCED recommends a 15 year, 52% net rate CRA tax exemption. This incentive would be pursuant to the Commercial CRA policy established by City Council. The project scores 14 points as indicated below:

“But For” Analysis (0-3 points) *	3
LEED (0-6 points)	3
Neighborhood VTICA (1 point for contributions over 1% but less than 15% and 8 points for contributions of 15% or more)	8
<b>TOTAL</b>	<b>14</b>

- \* “But For” Analysis Explanation: 3 points were awarded for the following reasons:
- Even with an abatement, projected return on equity is below 10% for the first 15 years following renovation.
  - The new residential development in this mostly vacant building would be in close proximity to both the Walnut Hills and East Walnut Hills Neighborhood Business Districts, supporting the vibrancy of two neighborhood centers.

<b>SUMMARY</b>	
<b>Forgone Public Benefit if Project Does not Proceed</b>	
CPS PILOT (Forgone New Revenue)	(\$193,032)
VTICA (Forgone New Revenue)	(\$87,742)
Income Tax (Forgone New Revenue)	(\$233,800)
<b>Total Public Benefit Lost</b>	<b>(\$514,574)</b>

<b>Incentive Value</b>	
Annual Net Incentive to Developer	\$20,278
<b>Total Term Incentive to Developer</b>	<b>\$304,171</b>
<b>City's Portion of Property Taxes Forgone</b>	<b>\$75,494</b>
<b>Public Benefit</b>	
CPS PILOT	
Annual CPS Pilot	\$12,869
<b>Total Term CPS PILOT</b>	<b>\$193,032</b>
VTICA	
Annual VTICA	\$5,849
<b>Total Term VTICA</b>	<b>\$87,742</b>
Income Tax (Max)	<b>\$233,800</b>
<b>Total Public Benefit (CPS PILOT/VTICA /Income Tax)</b>	<b>\$514,574</b>
Total Public Benefit ROI*	\$1.69
City's ROI*	\$6.82

\*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

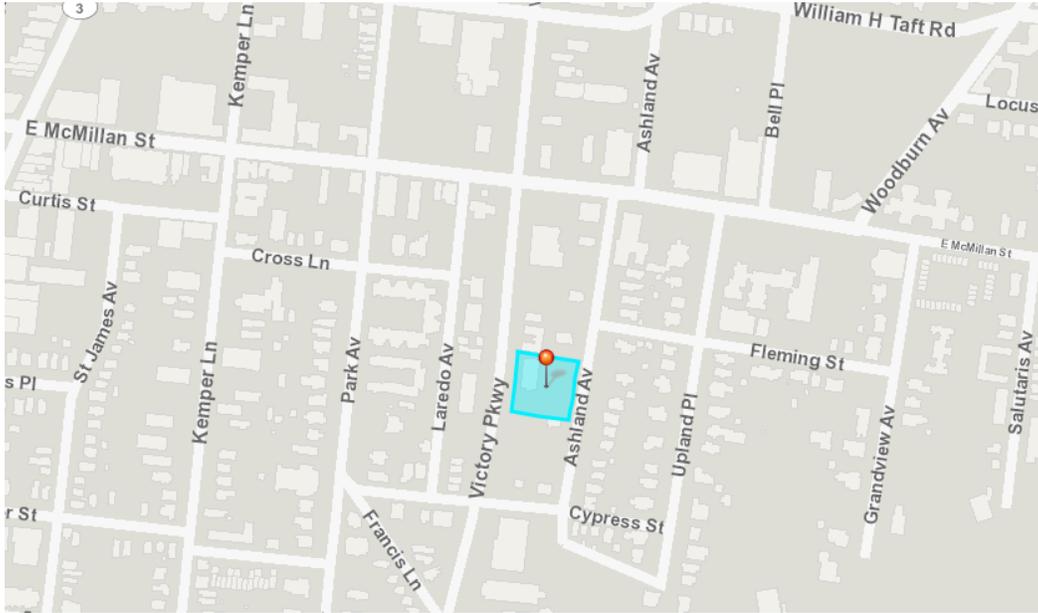
**RECOMMENDATION**

The Administration recommends approval of this Emergency Ordinance.

Attachment: A. Property location and photographs

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

**Attachment A: Location and Photographs**



*Property Location*



*2330 Victory Parkway*