

May 19, 2020

To: Mayor and Members of City Council

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

202101901

Subject: **LEED CRA TAX EXEMPTION FOR PENDLETON HOUSING PARTNERS, LP**

Attached is an Emergency Ordinance captioned as follows:

APPROVING AND AUTHORIZING the City Manager to execute a Community Reinvestment Area Tax Exemption Agreement with Pendleton Housing Partners, L.P., thereby authorizing a 15-year tax exemption for 100% of the value of improvements made to real property located at 210 E. 13th Street, 402-404 E. 13th Street, 409-415 E. 13th Street (415 E. 13th Street a/k/a 1207 Spring Street), 421 E. 13th Street, 430 E. 12th Street, 511-513 E. 12th Street, 557-563 E. 13th Street (a/k/a 610-612 Reading Road), 1210 Spring Street, 1320 Pendleton Street, 1336-1338 Broadway Street, 1347 Broadway Street, 500-502 E. 12th Street, and 500 E. 13th Street, in the Pendleton neighborhood of Cincinnati, in connection with the remodeling of existing buildings into approximately 81,048 square feet of residential space consisting of 78 residential units, at a total construction cost of approximately \$10,000,000.

BACKGROUND/CURRENT CONDITIONS

Pendleton Housing Partners, Limited Partnership owns and intends to renovate Seventy-eight (78) affordable apartment units located in eighteen (18) historic buildings scattered across the Pendleton neighborhood of Cincinnati. The occupied eighteen (18) buildings range from 2 to 4 stories. Over the last 36 years, the units have been operated as one community and covered by a single Section 8 Housing Assistance Payment (HAP) contract. In the fall of 2020, the Developer was awarded 4% Low-Income Housing Tax Credits (LIHTC) by the Ohio Housing Finance Agency (OHFA) to renovate these buildings.

DEVELOPER INFORMATION

Pendleton Apartments L.P. is a partnership between Pendleton Housing Management, LLC (the "General Partner") and Stephen R. Whyte (the "Limited Partner"). Pendleton Housing Management, LLC is owned by Vitus Development IV,

LLC, a Delaware limited liability company. Stephen R. Whyte is also the President of Vitus.

In the past 25 years, Vitus has developed over 100 affordable properties in 26 states consisting of over 10,000 units and over \$1.2 Billion in total investment. Their portfolio includes a combination of LIHTC and Section 8 communities in both urban and rural settings.

PROJECT DESCRIPTION

The Pendleton III Apartments project will consist of the substantial rehabilitation of the eighteen (18) scattered historic apartment buildings in the Pendleton neighborhood of Cincinnati. The two to four-story residential structures contain seventy-eight (78) units currently affordable and will remain affordable to families earning sixty percent (60%) of the area median. In addition to preserving low-income housing within the City of Cincinnati, all buildings associated with the development fall within and contribute to the Over-The-Rhine Historic District. The rehabilitation involved with this project will preserve a valuable asset in our urban city center and help bring the quality of the buildings back to market levels.

The seventy-eight (78) units will include eleven (11) studios, twelve (12) one-bedrooms, twenty-four (24) two-bedrooms, twenty-one (21) three-bedrooms, eight (8) four-bedrooms, and two (2) five-bedroom. These larger unit sizes will allow a full spectrum of small to large families to live together in quality housing that does not create financial hardship. Total rents are projected at \$1,015 for studio, \$1,240 for one-bedrooms, \$1,690 for two-bedrooms, and \$2,115 for three-bedrooms, \$2,440 for four-bedrooms, and \$2,865 for five-bedrooms. All units' rents will be subsidized by the Department of Housing and Urban Development so that tenants will pay no more than 30% of their household income on housing costs.

Total project cost is projected at \$23.4 million, with construction cost at approximately \$10 million. Pendleton III Apartments will attract \$6.5 million in LIHTC equity, \$1.7 Million in historic tax credits, a \$2.4 Million Deferred Developer fee, and approximately \$640,000 in developer equity with no cash subsidy from the City.

Construction will be completed in 12 months and will support the creation of 42 temporary construction jobs with a total annual payroll of \$753,604 million. The project will retain at least three (3) part-time permanent on-site jobs in case management and facilities management generating \$172,488 in annual payroll.

Pendleton III Apartments achieves Plan Cincinnati's Live Goal 3 (pages 164-178) by providing a full spectrum of housing options and improving housing quality and affordability. Additionally, the project accomplishes Plan Cincinnati's Sustain Goal 2 (pages 192-197) of preserving our natural and built environment by preserving historic buildings in the Pendleton neighborhood.

PROPOSED INCENTIVE

DCED is recommending a 15-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 Pendleton neighborhood's Streetcar VTICA Area. The project is a historic renovation and will not seek LEED certification or any comparable certification. Therefore, the project is subject to financial gap analysis. The project merits a fifteen-year (15 years) net 52% CRA Tax Abatement based on the following criteria.

- Due to the deep affordability requirements set by non-competitive LIHTC and the existing HAP contracts on all units.
- Without the CRA tax abatement, cash flow will be significantly reduced, and the project would not support the debt service required to complete the historic rehabilitation.

SUMMARY	
Forgone Public Benefit if Project Does not Proceed	
CPS PILOT (Forgone New Revenue)	(\$919,199)
VTICA (Forgone New Revenue)	(\$417,818)
Income Tax (Forgone New Revenue)	(\$70,159)
Total Public Benefit Lost	(\$1,407,177)
Incentive Value	
Annual Net Incentive to Developer	\$96,562
Total Term Incentive to Developer	\$1,448,435
City's Portion of Property Taxes Forgone	\$359,494
Public Benefit	
CPS PILOT	
Annual CPS Pilot	\$61,280
Total Term CPS PILOT	\$919,199
VTICA	
Annual VTICA	\$27,855
Total Term VTICA	\$417,818
Income Tax (Max)	\$70,159
Total Public Benefit (CPS PILOT/VTICA /Income Tax)	\$1,407,177
Total Public Benefit ROI*	\$0.97
City's ROI*	\$3.91

RECOMMENDATION

The Administration recommends approval of this Emergency Ordinance. This Ordinance is an emergency in nature so that the Developer can adhere to a strict construction timeline, which will allow units to be placed in service by LIHTC deadlines.

Attachment: A. Property location and development renderings

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

Attachment A: Location and Photographs



*Property Location,
200, 402-404, 409-415, 421, 430, 500, 511-513, & 557-563 East 13th Street, and 1210
Spring Street, and 1320 Pendleton Street, and 1336-1338 & 1347 Broadway Street,
and 500-502 East 12th Street.*



Select Development Rendering