

May 7, 2025

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

**From:** Sheryl M.M. Long, City Manager



202500938

**Subject: Emergency Ordinance – Authorizing Development Agreement with 441 Vine Street Owner, LLC**

Attached is an Emergency Ordinance captioned:

**AUTHORIZING** the City Manager to execute a Development Agreement with 441 Vine Street Owner LLC, an affiliate of Victrix Investments LLC, pertaining to the mixed-use redevelopment of an existing structure located at Units 2 and 3, W. Fifth Street in the Central Business District of Cincinnati, which is property commonly known as the Carew Tower, and providing for City assistance to the project in the form of a rebate of a portion of the service payments in lieu of taxes imposed in connection with a proposed thirty-year property tax exemption for improvements pursuant to Ohio Revised Code Section 5709.41, subject to the passage by Council of a separate ordinance authorizing such tax exemption.

**STATEMENT**

**HOUSING:** The additional housing units this project will provide will go toward helping to alleviate Cincinnati's strained housing market, which is currently experiencing increasing affordability issues due to lack of supply.

**BACKGROUND/CURRENT CONDITIONS**

Originally completed in 1931, the Carew Tower complex consists of a 49-story office tower, an adjacent 28-story 800-room (now 561-room) Hilton Netherland Plaza Hotel (that is under separate ownership and excluded from the Project) above a shared base that houses a retail arcade, with two department stores and more than 20 boutique shops. Characterized as a fine example of Art Deco architecture, the Carew Tower and Netherland Plaza Hotel received the National Historic Landmark designation in 1994.

The office tower and retail arcade were premiere destinations for tenants over many decades, with significant reinvestment in the 1980s. However, the retail arcade faced challenges like many urban shopping centers during the second half of the 20th century, with the department stores vacating the building and other retail spaces closing by the mid-2010s.

Over the past two decades, Carew Tower has suffered from reduced demand for its office and retail spaces, resulting in deferred maintenance and a lack of investment resulting in continued decline. The rapid and persistent drop in office demand caused by the Covid-19 pandemic significantly accelerated and accentuated Carew Tower's systemic challenges, effectively ending any remaining potential to revive the tower for continued

office use. The portions of the complex included in the Project (the 49-story office tower and the entire retail base) now sit vacant, with a few remaining retail tenants at the base but no office users remaining in the tower.

The Developer acquired Carew Tower in 2022 with the concept of converting vacant office space into Class A market rate apartment housing and revitalizing the existing retail base. Acknowledging that significant capital was needed beyond traditional lending and local subsidy to complete the endeavor, the Developer applied for and was subsequently awarded several state incentives, including Ohio historic preservation tax credits, transformational mixed-use development tax credits, and brownfield remediation grant funding for asbestos abatement.

#### **DEVELOPER INFORMATION**

441 Vine Street Owner, LLC is an affiliate of Victrix Investments, LLC, ("Victrix") a real estate investment and development firm based in New York City. Victrix focuses on multi-family and hotel investments and targets adaptive reuse conversion projects. Victrix recently completed the 7 West 7th Apartments, consisting of converting floors 8-21 of the former Macy's headquarters building into 341 market rate apartment units. Outside of Cincinnati, Victrix also recently completed the LiveWell Apartments, an office to residential project consisting of 253 market rate apartment units in Pittsburgh, Pennsylvania.

#### **RECOMMENDATION**

The Administration recommends approval of this Emergency Ordinance. The reason for the emergency is the immediate need to enable the parties to execute the Development Agreement as soon as possible so that the Developer can promptly commence the Project, thereby creating significant economic benefit and enhancement to the City at the earliest possible time.

Attachment: Project Outline and Proposed Incentive

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

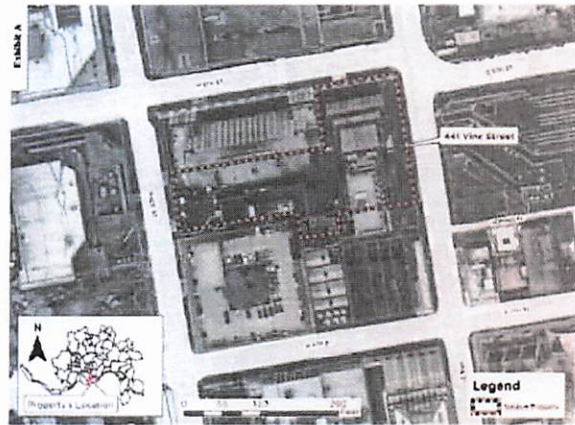
Handwritten signature in blue ink, appearing to read "MLC for".

**Project Outline**

<b>Project Name</b>	Carew Tower Redevelopment
<b>Street Address</b>	441 Vine Street (Units 2 and 3)
<b>Neighborhood</b>	Central Business District
<b>Property Condition</b>	Largely Vacant Building
<b>Project Type</b>	Renovation
<b>Project Cost</b>	Hard Construction Costs: \$98,617,500 Environmental / Demolition Costs: \$6,500,000 Acquisition Costs: \$18,900,000 Soft Costs: \$25,436,636 Contingency Costs: \$12,405,414 Total Project Cost: \$161,859,550
<b>Private Investment</b>	Private Financing: \$97,115,730 Developer Equity: \$54,743,820 Tax Credits / Other: \$10,000,000
<b>Sq. Footage by Use</b>	Residential: 287,105 SF Commercial / Retail: 64,877
<b>Number of Units and Rent Ranges</b>	246 1-BR Units; Average Rent \$1,950 109 2-BR Units; Average Rent \$2,700 20 3-BR Units; Average Rent \$3,300 375 total market rate apartment units 10 units of short-term corporate housing
<b>Median 1-BD Rent Affordable To</b>	Salary: \$78,000 City Job Classification: Building Inspector 3, Plumbing Inspector 2, Administrative Hearing Officer
<b>Jobs and Payroll</b>	Created FTE Positions: 12 Total Payroll for Created FTE Positions: \$615,000 Average Salary for Created FTE Positions: \$51,250 Construction FTE Positions: 500 Total Payroll for Construction FTE Positions: \$35M
<b>Location and Transit</b>	Located adjacent to Fountain Square Transit Score: 81
<b>Community Engagement</b>	Presented at Downtown Residents' Council ("DRC") on November 8, 2022
<b>Plan Cincinnati Goals</b>	Compete Initiative Area Goal 2 (p. 114-120), Sustain Initiative Area Goal 2 (p.193-198)



### Project Image and Site Map



### Proposed Incentive

Incentive Terms	30-year, net 65%
Incentive Application Process	Private Project TIF (O.R.C. 5709.41) Balanced Development Framework
"But For"	Without Incentive: 3.14% rate of return (stabilized) With Incentive: 7.1% rate of return (stabilized) Project would not proceed without incentive.
Environmental Building Certification	Non-LEED
VTICA	Streetcar VTICA – 2%
SBE/MBE/WBE Goals	SBE goal of 30% Voluntary sub-goal of 17% MBE / 10% WBE
Planning Commission Approval	Approved land conveyances on November 15, 2024
Other Incentives & Approvals	Victrix assumed a Note and Mortgage of a 1989 City Loan for the construction of adjacent skywalks in the principal amount of \$2,080,600.00. The City will forgive half of the principal amount of the Loan in 2026 and the remaining half in 2027.  The project was awarded \$6.4 million in State grant funding in 2022 for environmental remediation and interior demolition, \$10 million in State historic preservation tax credits (OHPTC) in 2023, and \$4.25 million in State Transformational Mixed-Use Development (TMUD) tax credits in 2024.

**Potential Taxes Forgone & Public Benefit**

<b>Taxes Forgone</b>	<b>Value</b>
Annual Net Incentive to Developer	\$1,099,332
Total Term Incentive to Developer	\$32,979,974
City's Portion of Property Taxes Forgone (Term)	\$7,130,340
City's TIF District Revenue Forgone (Term)	\$37,039,047

<b>Public Benefit</b>	<b>Value</b>
CPS PILOT	Annual \$558,123
	Total Term \$16,743,679
VTICA	Annual \$33,826
	Total Term \$1,014,768
Income Tax Total Term (Maximum)	\$962,100
Total Public Benefit (CPS PILOT, VTICA, Income Tax)	\$18,720,547

<b>Total Public Benefit ROI*</b>	\$0.57
<b>City's ROI**</b>	\$0.05

\* This figure represents the total dollars returned for public purposes (City/Schools/Other) over the benefit received.

\*\*This figure represents the total dollars returned for City/ over the City's property taxes forgone.

**For Reference: 2024 Cincinnati MSA Area Median Income Limits**

AMI	1	2	3	4	5	6	7	8
30%	\$22,050	\$25,200	\$28,350	\$31,450	\$34,000	\$36,500	\$39,000	\$41,550
50%	\$36,700	\$41,950	\$47,200	\$52,400	\$56,600	\$60,800	\$65,000	\$69,200
60%	\$44,040	\$50,340	\$56,640	\$62,880	\$67,920	\$72,960	\$78,000	\$83,040
80%	\$58,700	\$67,100	\$75,500	\$83,850	\$90,600	\$97,300	\$104,000	\$110,700