

May 11, 2022

To: Mayor and Members of City Council

From: John P. Curp, Interim City Manager

Subject: Ordinance – Approving and Authorizing a Community Reinvestment Area Tax Exemption Agreement with EK Brown Properties LLC

John P. Curp 202201159

Attached is an Ordinance captioned:

APPROVING AND AUTHORIZING the City Manager to execute a *Community Reinvestment Area Tax Exemption Agreement* with EK Brown Properties LLC, thereby authorizing a 12-year tax exemption for 100% of the value of improvements made to real property located at 810 Plum Street in the Central Business District of Cincinnati, in connection with the remodeling of an existing building into approximately 3,600 square feet of residential space consisting of 5 residential rental units at a total construction cost of approximately \$522,898.

BACKGROUND/CURRENT CONDITIONS

EK Brown Properties LLC plans to renovate the property located at 810 Plum Street in the Central Business District. The property is currently 40% occupied with a dental office on the first floor and office space on the upper floor. There are two additional vacant office spaces, one on the first floor and one on the second floor. EK Brown Properties LLC purchased the property in September 2019 for \$399,000.

DEVELOPER INFORMATION

EK Brown Properties LLC is owned by Eric Brown, a dentist who currently operates his dental business on the first floor of the project site.

PROJECT DESCRIPTION

EK Brown Properties LLC will complete the conversion of the larger, vacant second-floor office space to bring five (5) market-rate rental units on to the market. The residential units will include five (5) 500 square foot studio units with residential rents of approximately \$1,000 per month. Rents are naturally affordable to households making 80% of the Area Median Income based on HUD rent limits.

Total project cost is projected to be approximately \$1MM, including acquisition cost, with construction cost at \$522,898. The project is estimated to take seven (7) months to complete and is projected to support the creation of 50 temporary construction jobs with

a total annual payroll of \$210,000. The project is projected to retain four (4) full-time jobs with a total annual payroll of \$250,000. The developer intends to begin construction summer of 2022.

The proposed project is consistent with *Plan Cincinnati* (2012) within the Geographic Principle to "Focus revitalization on existing centers of activity" (p. 86). It is consistent with *Plan Cincinnati* within the Live Initiative Area's Goals to "Create a more livable community" (p. 156) and "Provide a full spectrum of housing options, and improve housing quality and affordability" (p. 164), as well as a Strategy in the Compete Initiative Area to "Target investment to geographic areas where there is already economic activity" (p. 115). The proposed project will retain an existing business and bring residential units onto the market within the Downtown neighborhood center, an existing center of economic activity.

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.

SUMMARY	
Incentive Value	
Annual Net Incentive to Developer	\$4,663
Total Term Incentive to Developer	\$55,958
City's Portion of Property Taxes Forgone	\$6,438
Potential TIF District (#3) Revenues Forgone	\$50,678
Public Benefit	
CPS PILOT	
Annual CPS Pilot	\$2,959
Total Term CPS PILOT	\$35,512
VTICA	
Annual VTICA	\$1,345
Total Term VTICA	\$16,142
Income Tax (Max)	\$56,205
Total Public Benefit (CPS PILOT/VTICA /Income Tax)	\$107,859
Total Public Benefit ROI*	\$1.93
City's ROI*	\$1.27

*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. Note that the property is located in the Downtown OTR West TIF District which impacts the standard City property tax calculation.

PROFORMA WITHOUT ABATEMENT	
Revenue	\$105,825
Operating Expenses and Reserves	\$36,789
Net Operating Income	\$69,036
Debt Service	\$61,200
Cash Flow After Debt Service	\$7,836
Cash on Cash Return	3.24%

PROFORMA WITH ABATEMENT	
Revenue	\$105,825
Operating Expenses and Reserves	\$31,938
Net Operating Income	\$73,887
Debt Service	\$61,200
Cash Flow After Debt Service	\$12,687
Cash on Cash Return	5.25%

Market rate of return: ~8-10%

Pursuant to the Commercial CRA policy established by City Council, this project is located within 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 twelve-year, net 52% CRA Tax Abatement based on the following criteria:

- Project underwriting revealed a low cash-on-cash rate of return for the early years of the investment.
- Net 15% Streetcar VTICA contribution totals to \$16,142
- Project will retain four full-time positions with a total annual payroll of \$250,000 and create 50 temporary construction jobs with a total annual payroll of \$210,000

PROJECT TEAM & TIMELINE

The project team (listed below) will make themselves available at the request of the councilmember(s).

- Assistant City Manager: William Weber
- DCED Director: Markiea L. Carter
- Project Attorney: Samantha Brandenburg

The anticipated council timeline is as follows:

- May 11, 2022: Introduction to City Council
- May 16, 2022: Budget and Finance (1)
- May 23, 2022: Budget and Finance (2)
- May 30, 2022: Budget and Finance (3)
- June 1, 2022: City Council for Final Approval

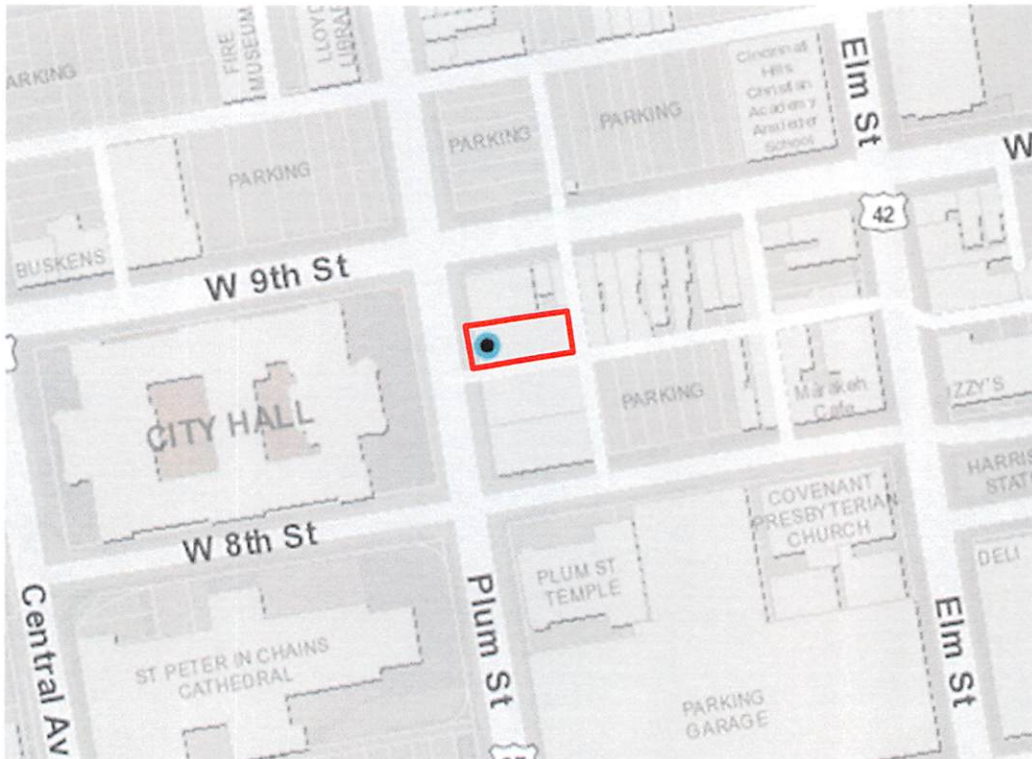
RECOMMENDATION

The Administration recommends approval of this Ordinance.

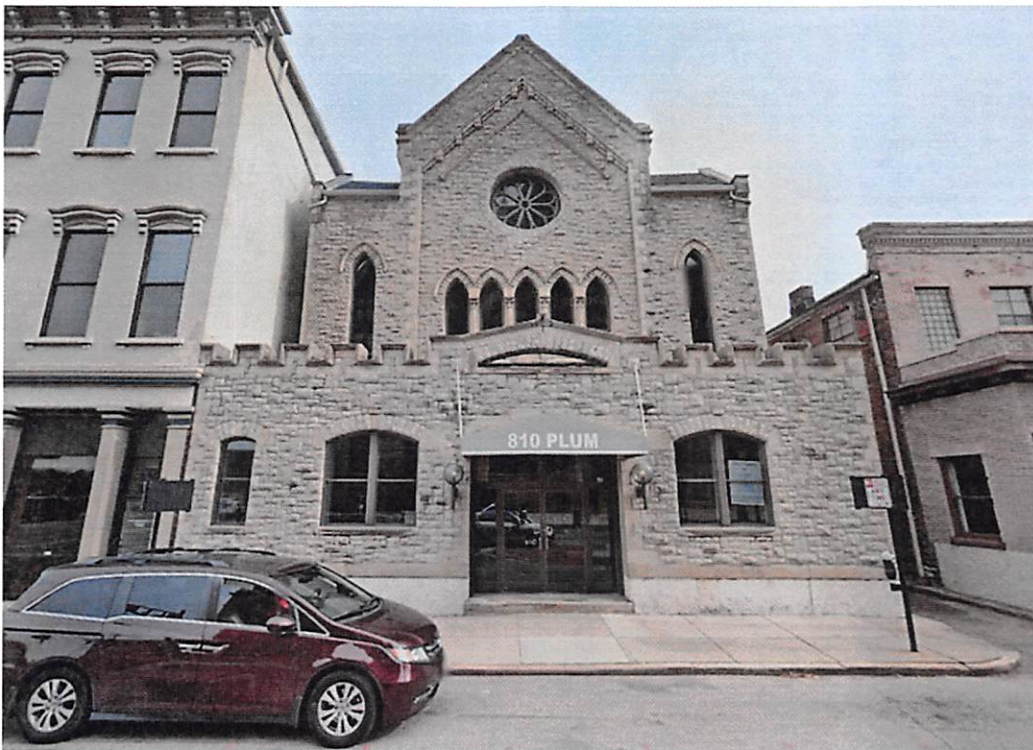
Attachment: A. Property location and photographs

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

Attachment A: Location and Photographs



Property Location



810 Plum Street