

June 16, 2021

To: Mayor and Members of City Council

202102266

From: Paula Boggs Muething, City Manager

Subject: **COMMUNITY REINVESTMENT AREA TAX EXEMPTION
AGREEMENT FOR TEXTILE PARTNERS, LLC.**

Attached is an Emergency Ordinance captioned as follows:

APPROVING AND AUTHORIZING the City Manager to execute a *Community Reinvestment Area Tax Exemption Agreement* with Textile Partners LLC, thereby authorizing a 15-year tax exemption for 100% of the value of improvements made to real property located at 205 W. Fourth Street in the Central Business District neighborhood of Cincinnati, in connection with the remodeling of an existing building to create approximately 7,000 square feet of commercial retail space and approximately 215,595 square feet of residential space consisting of 282 residential units, at a total construction cost of approximately \$55,347,000; and further **AUTHORIZING** a 10-year historic extension of such 15-year tax exemption.

BACKGROUND/CURRENT CONDITIONS

This property is a historical office building in the Central Business District neighborhood of Cincinnati. It is within the 4th Street Historic District. The Developer is proposing an office to residential conversion development. The Developer submitted a CRA application to DCED requesting assistance in the redevelopment of this property.

DEVELOPER INFORMATION

Textile Partners, LLC. is an affiliate of parent company, Bernstein Companies, a privately owned real estate firm founded in 1933, out of Washington D.C. The firm has been involved in more than \$3 billion worth of transactions and currently owns, develops, and manages a variety of product types across the country. They have a portfolio of more than 2.5 million square feet and specialize in converting historical

buildings into new uses. Bernstein Companies is also currently working on the conversion of the 23-story Mark Twain Tower in Kansas City, Mo., into 222 apartments.

PROJECT DESCRIPTION

Once completed, this project will consist of 282 apartment units and approximately 7,000 square feet of commercial space. Rent will range between \$1,100-\$2,850 per month depending on the square footage of the unit. In connection with this project, it is estimated that 225 temporary construction jobs are created at a total annual payroll of \$10,000,000 and 14 full time jobs are created at a total annual payroll of \$445,000.

This project is consistent with several of Plan Cincinnati's goals including the City's goal to remain competitive economically, and the City's goal to be good stewards of its resources—both built and environmental.

PROPOSED INCENTIVE

The Ordinance provides for a 100% (net 52%), 15-year CRA tax exemption for this property. The exemption applies only to the increase in value of the building attributable to the project improvements. 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 administration is recommending a 15-year CRA term to allow for the project to secure adequate construction and permanent financing using the realized savings. This project will result in a more vibrant mixed-use district along the 4th street corridor and bring much needed housing and redevelopment to the Central Business District.

Pursuant to Ohio Revised Code Sections 3735.65 through 3735.70, the Developer may be eligible for an extension of the abatement term because of the historical significance of the property for up to ten years. Prior to the expiration of the original 15-year abatement term, if the City administration determines in its sole discretion that the project qualifies for a historic extension, the parties will execute a mutually satisfactory amendment to extend the abatement term for a period of ten years. The administration believes that the projects currently anticipated financial need would merit a longer incentive (for example a 25-year project TIF) if the extension were not an option at this time.

SUMMARY		
Forgone Public Benefit if Project Does not Proceed		
CPS PILOT (Forgone New Revenue)		(\$4,409,161)
VTICA (Forgone New Revenue)		(\$2,004,164)
Income Tax (Forgone New Revenue)		(\$863,625)
Total Public Benefit Lost		(\$7,276,949)
Incentive Value		
Annual Net Incentive to Developer		\$277,911
Total Term Incentive to Developer		\$6,947,768
City's Portion of Property Taxes Forgone		\$1,724,398
Public Benefit		
CPS PILOT		
Annual CPS Pilot		\$176,366
Total Term CPS PILOT		\$4,409,161
VTICA		
Annual VTICA		\$80,167
Total Term VTICA		\$2,004,164
Income Tax (Max)		\$863,625
Total Public Benefit (CPS PILOT/VTICA /Income Tax)		\$7,276,949
Total Public Benefit ROI*		\$1.05
City's ROI*		\$4.22

*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. The emergency clause in the Ordinance is required for the developer to maintain a strict project schedule.

Attachment: A. Property location and photographs

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

Attachment A: Location and Photographs

