

May 10, 2023

To: Mayor and Members of City Council

202301359

From: Sheryl M.M. Long, City Manager

Subject: Emergency Ordinance – Approving and Authorizing CRA Tax Exemption Agreement with Lot 3 Local Oakley, LLC

Attached is an Emergency Ordinance captioned:

APPROVING AND AUTHORIZING the City Manager to execute a Community Reinvestment Area Tax Exemption Agreement (LEED or Living Building Challenge) with Lot 3 Local Oakley, LLC, thereby authorizing an eleven-year tax exemption for 100 percent of the value of improvements made to real property located at 2910 Disney Street in the Oakley neighborhood of Cincinnati, in connection with the construction of a new hotel, consisting of approximately 116 rooms, containing approximately 73,621 square feet of commercial space in aggregate, which construction 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 construction cost of approximately \$11,400,000.

BACKGROUND/CURRENT CONDITIONS

Lot 3 Local Oakley, LLC, an affiliate of Keystone Management Group, plans to develop the property located at 2910 Disney Street in the Oakley neighborhood of Cincinnati. Prior to the proposed development, City Council established a 5709.40(B) TIF (Ordinance No. 363-2020) for public infrastructure improvements to the former 28-acre Cast-Fab industrial site. Other developments in the Cast-Fab subdivision include Arcadia, a 124 market-rate townhome development, Graphite Oakley, a 316-unit market-rate apartment complex, a cell tower, and a self-storage facility.

DEVELOPER INFORMATION

Founded in 2000, Keystone Management Group is a hotel investment, development, and management firm headquartered in Greater Cincinnati (Symmes Township). Subhas Patel serves as Director of the Group and has applied for the requested incentive. Since its inception, Keystone Management Group has developed 14 hotels, 9 of which it currently operates in Northern Kentucky, Central and Southwestern Ohio. A recent local project included the construction of a 110-unit downtown hotel (TownePlace Suites by Marriott) located at 106 W. 7th Street.

RECOMMENDATION

The Administration recommends approval of this Emergency Ordinance. This is an Emergency Ordinance so construction financing can be closed, and construction commences at the earliest possible time.

Attachment: Project Outline

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

Project Outline

<u>Project Description Details</u>	<u>Explanation</u>
Project Name	Home 2 Suites by Hilton
Street Address	2910 Disney Street
Property Condition	Vacant 2 Acre Lot in Local Oakley Development, Developer acquired lot from Local Oakley, LLC in 2022.
Neighborhood	Oakley
Incentive Application Process	Commercial CRA – Neighborhood (LEED or LBC)
Recent or other projects by Developer	Existing portfolio of 9 hotels, including the TownePlace Suites by Marriott Downtown
Approval at planning commission/Neighborhood support	Planning Commission approved the Development Plan and Subdivision Improvement Plan in July 2019. Oakley Community Council has provided a letter of support for the project.
Plan Cincinnati Goals	Achieves the Compete Initiative Area Goal 2 (pages 114-120) and Sustain Initiative Area Goal 1 (pages 181-186) of Plan Cincinnati

Project Image



<u>Incentive Summary Category</u>	<u>Explanation</u>
Abatement Term and amount	11-year, net 52%
Construction Cost & Private investment committed	\$11,400,000 in hard construction costs, \$5,900,000 in acquisition and soft costs
Sq. Footage by Use	73,621 SQFT - Commercial
Number of units and rental ranges	No Residential Units
Jobs created/retained and payroll (living wage)	Projected to create 20 FTE positions at \$600,000 in annual payroll (avg. of \$30,000.00 annually per job). Projected to create 70 temporary construction positions at \$4,800,000 in total payroll. Developer has committed to making all jobs created by the project compliant with the City's living wage policy.
"But For"	No Points were assigned for "But For." The Developer will receive an acceptable Cash on Cash return in Year 6 of the abatement (8.30%). However, DCED utilized the established Neighborhood Scorecard to review this incentive request. Because the Developer was awarded 2 points from LEED Silver and 8 points for full 15% Neighborhood VTICA contribution, DCED recommends the 11-year tax abatement, per established City Council Policy.
Cash on Cash Return for developer (Market return between 8-12%, depends on investment risk)	Without Abatement: Year 5: 5.01% (stabilized) With Abatement: Year 5: 7.66% (stabilized)
LEED or other environmental build	LEED Silver
Neighborhood VTICA	Neighborhood VTICA – 15%
Total Public Benefit (Benefits Realized vs Taxes Forgone)	\$1.13 of new CPS/VTICA/Income taxes for each \$1 forgone
Projected Income Tax Revenue	\$226,800
MBE/WBE Goals	SBE Goal of 30% Voluntary MBE Goal of 17% Voluntary WBE Goal of 10%
Transit Access/Walkability	Located within ½ mile of Metro's Oakley Transit Center (24-hour service to Routes 11 and 51)
Geography	Located within ½ mile of a neighborhood business district
Historic Preservation/Existing Building Renovation	Not Applicable
Public Infrastructure Improvements	Not Applicable