

February 8, 2023

To: Mayor and Members of City Council

From: Sheryl M.M. Long, City Manager

202300559

Subject: Emergency Ordinance – Approving and Authorizing a CRA Tax Abatement with Condominium Holdings, LLC

Attached is an Emergency Ordinance captioned:

APPROVING AND AUTHORIZING the City Manager to execute a Community Reinvestment Area Tax Exemption Agreement with Condominium Holdings, LLC, an affiliate of Cincinnati City Center Development Corporation, commonly known as 3CDC, thereby authorizing a 15-year tax exemption for 100% of the value of improvements to real property located at 1428 Vine Street in the Over-the-Rhine neighborhood of Cincinnati, in connection with the remodeling of the first floors of two existing buildings into approximately 2,486 square feet of ground floor commercial space, at a total construction cost of approximately \$466,444.

BACKGROUND/CURRENT CONDITIONS

The project site includes two buildings located at 1428-1430 Vine Street in Over-the-Rhine. The buildings currently sit vacant. The Developer acquired the buildings in 2019 through another related entity and transferred them to Condominium Holdings, LLC in 2022. The exterior of these two buildings has previously been updated.

DEVELOPER INFORMATION

Condominium Holdings, LLC is a subsidiary of the Cincinnati City Center Development Corporation (3CDC). Since 2003, 3CDC has undertaken over \$1.4 billion in investment in the Central Business District and Over-the-Rhine, renovating over 160 different buildings and one million square feet of commercial space.

PROJECT DESCRIPTION

The Developer plans to convert the ground floor of the two subject buildings into two white-box commercial spaces totaling 2,486 square feet. They estimate that the commercial spaces will lead to the creation of 9 full-time equivalent jobs totaling \$289,200 in annual payroll. Separate from the scope of this CRA Application, the Developer will also be renovating the upper floors of these buildings into 9 residential condominium units. For the commercial portion of this project, the Developer estimates a total project cost of \$682,294, as well as the creation of 5 temporary construction jobs at \$238,913 in payroll over 12 months.

This project achieves the Compete Initiative Area Goal 2 (pages 114-120) and Sustain Initiative Area Goal 2 (pages 193-198) of Plan Cincinnati by cultivating our position as the most vibrant and healthiest part of our region and preserving our natural and built environment.

PROPOSED INCENTIVE

DCED is recommending a 15-year, net 52% Commercial CRA tax abatement. This recommendation is based on the following factors:

- This project will activate two currently vacant storefronts, as well as contribute to continued neighborhood development in the northern portion Over-the-Rhine near Liberty Street.
- This project will help expand the City’s income tax base through the creation of 9 full-time equivalent positions.
- The Developer is also focusing their leasing efforts on the recruitment of Black-owned businesses to fill the open commercial space created by this project.

* *“But For” Analysis Explanation:*

- Without an abatement, the projected return on equity for the commercial portion of this project is at or below 0% for the first 10 years, which would equate to the project not moving forward as the Developer would lose money on their investment.
- With the proposed abatement, the projected return on equity for the project rises to 4% in Year 5 and 9% in Year 10, meaning that the project becomes profitable to the Developer through the tax abatement incentive.

PROFORMA WITHOUT ABATEMENT (YEARS 1-15)		PROFORMA WITH ABATEMENT (YEARS 1-15)	
Revenue	\$48,615	Revenue	\$48,615
Operating Expenses and Reserves	\$26,106	Operating Expenses and Reserves	\$17,618
Net Operating Income	\$22,509	Net Operating Income	\$30,996
Debt Service	\$24,757	Debt Service	\$24,757
Cash Flow After Debt Service	-\$2,247	Cash Flow After Debt Service	\$3,744
Cash on Cash Return	-2%	Cash on Cash Return	4%

SUMMARY		
Incentive Value		
	Annual Net Incentive to Developer	\$4,160
	Total Term Incentive to Developer	\$62,396
	City's Portion of Property Taxes Forgone (Term)	\$16,863
	City's TIF District Revenue Forgone (Term)	\$0
Public Benefit		
	CPS PILOT	
	Annual CPS Pilot	\$2,640
	Total Term CPS PILOT	\$39,597
	VTICA	
	Annual VTICA	\$1,200
	Total Term VTICA	\$17,999
	Income Tax (Max)	\$82,384
	Total Public Benefit (CPS PILOT/VTICA /Income Tax)	\$139,981
	Total Public Benefit ROI*	\$2.24
	City's ROI**	\$8.30
	*This figure represents the total dollars returned for public purposes (City/Schools/Other) over the benefit received. This figure may be less than \$1.00 if meeting specific City policy objectives that are non-financial or project has limited likelihood to proceed without incentive	
	**This figure represents the total dollars returned for City/VTICA over the City's property taxes forgone. This figure may be less than \$1.00 if meeting specific City policy objectives that are non-financial or project has limited likelihood to proceed without incentive	

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 Carter
- Project Attorney: Samantha Brandenburg

The anticipated council timeline, which includes two Budget and Finance meetings if necessary is as follows:

- February 8, 2023: Introduction to City Council
- February 13, 2023: Budget and Finance (1)
- February 20, 2023: Budget and Finance (2)
- February 22, 2023: City Council for Final Approval

RECOMMENDATION

The Administration recommends approval of this Emergency Ordinance, so the project financing can close, maintaining a strict project timeline and allow the City to realize its economic benefit at the earliest possible time.

Attachment: A. Property location and photographs

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

Attachment A: Location and Photographs

