

October 4, 2023

To: Mayor and Members of City Council

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

202302091

Subject: **Emergency Ordinance – Tax Increment Financing Exemption
for 7 West 7th Street**

Attached is an Emergency Ordinance captioned:

DECLARING improvements to certain real property located at 7 West 7th Street in the Central Business District of Cincinnati, to be constructed pursuant to a *Development Agreement* between the City of Cincinnati and 7 West 7th Property LLC, to be a public purpose and exempt from real property taxation for a period of 30 years pursuant to R.C. Section 5709.41; and **AMENDING** Ordinance No. 413-2002, passed on December 18, 2002, as amended, to remove such real property from the operation of that ordinance.

BACKGROUND/CURRENT CONDITIONS

Previously, pursuant to Ordinance No. 17-2022, passed by Council on January 26, 2022, Council authorized the City Manager to enter into a *Development Agreement* with 7 West 7th Property, LLC (the “Developer”), pertaining to the development of floors 8-21 of the building on property located at 7 West 7th Street in the Central Business District (the “Project Site”), for the construction of approximately 338 residential units at an estimated aggregate cost of \$72,800,000 (the “Project”). The *Development Agreement* provided 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 30-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.

DEVELOPER INFORMATION

The Developer is an affiliate of Victrix Investments, LLC (“Victrix”). Victrix is a real estate investment and development firm based in New York City. Anoop Dave and Tim Gordon are the CEO and President of Victrix Investments, LLC, respectively, and participating parties for this transaction. Victrix focuses on multi-family and hotel investments and targets adaptive reuse conversion projects of office or other uses into multi-family and mixed-use projects. Victrix’s goal is to work with cities and owners to repurpose substantially vacant buildings into additional housing units to ensure the continued vibrancy of America’s downtowns. Victrix has successfully completed several projects, including the Highline Apartments in Hyattsville, Maryland, another office-to-residential conversion project.

PROJECT DESCRIPTION

The Developer will renovate floors 8-21 of the former Macy's Corporate Headquarters building. Upon completion, the Project will contain approximately 338 market-rate residential units with monthly rents ranging from \$1,350 for a studio apartment and \$2,150 for a 2-bedroom unit at a Total Project Cost of approximately \$81,492,277. It is anticipated that the Project will support the creation of 500 temporary construction jobs with an estimated aggregate payroll of \$10 million during construction and 11 full-time permanent jobs upon completion with an estimated annual payroll of \$702,000.

PROPOSED INCENTIVE

DCED is recommending (i) a Tax Increment Financing (TIF) exemption for the Project site pursuant to Ohio Revised Code 5709.41 for a period of 30 years and (ii) in order to effectuate this transaction, amending the TIF District Ordinance to exclude the property and to provide for an exemption for the property in accordance with the *Development Agreement*. Following the creation of the Project TIF, the City and Developer will enter a Service Agreement, which will require full payment of statutory Service Payments in lieu of real estate taxes. Prior to the rebate of any Service Payments to the Developer, 33% of the Service Payments will be paid to Cincinnati Public Schools. For tax years 1-25, the Developer is willing to make a VTICA contribution equal to 15% of the Service Payments for the purpose of funding the maintenance and operations of the streetcar. With respect to years 26 through 30 of the TIF Exemption, the City will retain 100% of those Excess Service Payments. Without the Project TIF, the Developer is unable to secure the construction financing for the Project improvements.

RECOMMENDATION

The Administration recommends approval of this Emergency Ordinance. The emergency clause is necessary to establish the TIF exemption prior to financial closing and so that construction can commence at the earliest possible time.

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