

September 5, 2024

To: Mayor and Members of City Council

From: Sheryl M.M. Long, City Manager

202401947

Subject: Emergency Ordinance – Approving and Authorizing CRA Tax Exemption Agreement with Supreme Bright Cincinnati, 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 Supreme Bright Cincinnati, LLC, thereby authorizing a fifteen-year tax exemption for 100 percent of the value of improvements made to real property located at 105 E. 4th Street in the Central Business District of Cincinnati, in connection with the remodeling of an existing building into (i) approximately 490,789 square feet of commercial space, consisting of an approximately 280-room hotel with meeting and ballroom space, and a restaurant/bar; and (ii) approximately 27,936 square feet of residential space, consisting of approximately sixteen residential rental units, which remodeling shall be completed in compliance with Leadership in Energy and Environmental Design Silver, Gold, or Platinum standard or Living Building Challenge standards, at a total construction cost of approximately \$102,000,000.

STATEMENT

HOTELS: The addition of these hotel rooms will relieve Cincinnati’s existing and worsening hotel demand issue; a healthy hotel room supply benefits residents by increasing tourist’s spending within city-limits instead of regional alternatives and decreasing necessity for the widespread proliferation of short-term-rentals (STR), ultimately allowing for more STR to long-term housing conversion.

BACKGROUND/CURRENT CONDITIONS

In 2018, Supreme Bright Cincinnati, LLC (“the Developer”) applied for and was granted a 15-year, net 60% LEED CRA for a hotel project at 105 E. 4th Street in the Central Business District. The property is commonly known as the Fourth and Walnut Centre. As originally proposed, the project would’ve resulted in a 349-room, dual-brand Canopy & IHG Hotel, along with a 135,315 sq. ft. parking garage. The proposed total project cost was around \$67 million and would’ve resulted in the creation of 116 permanent jobs at \$3 million in annual payroll.

Due to rising construction costs, the COVID-19 pandemic, and issues with financing, the Developer was unable to commence construction on the project in a timely manner. The City granted the Developer multiple extensions on the project completion deadline, but ultimately opted to move for mutual termination of the CRA agreement in July of 2023. A termination agreement for the 2018 CRA was executed in July of 2024.

Both the City and the Developer have remained committed to the project, however. The Developer re-engaged DCED in late 2023 with revised project plans and applied for a new CRA tax abatement. DCED has worked closely with the Developer throughout the review process to ensure the project is well-positioned to move forward.

The Developer now intends to deliver a 280-room luxury hotel at a total project cost of \$174 million. As proposed, the project will include a Presidential Suite, two Junior Suites, 11 Single Bedroom Suites, a 13,500 square foot ballroom, a three-meal restaurant and bar that will be accessible to the public, a 244-stall parking garage, and 16 high-end multifamily residential units.

DEVELOPER INFORMATION

Supreme Bright Cincinnati, LLC is a subsidiary of NewcrestImage, a premier hotel investment firm operating out of Grapevine, Texas. NewcrestImage was established in 2013 following the merger of two family-owned companies, newcrest Management and Image Hospitality. NewcrestImage is led by Mehul Patel, who built the firm from the ground up upon immigrating to the United States in 1990. To date, the company has handled over 270 hospitality transactions, valued at more than \$2.7 billion. The firm continues to grow and has acquired 75 hotels in the last year alone.

Examples of projects completed by NewcrestImage include the AC Hotel/Residence Inn by Marriott Dallas, located at 1712 Commerce Street in Dallas, Texas, and the Hampton Inn & Suites Downtown Dallas, located at 1700 Commerce Street. Both projects included the adaptive reuse of historic structures.

RECOMMENDATION

The Administration recommends approval of this Emergency Ordinance.

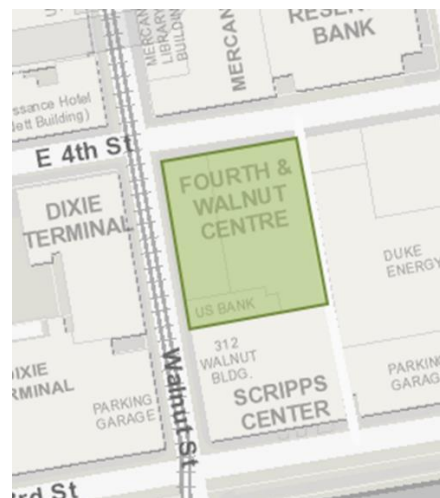
Attachment: Project Outline and Proposed Incentive

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

Project Outline

Project Name	Fourth and Walnut Centre
Street Address	105 E. 4 th Street
Neighborhood	Downtown
Property Condition	Primarily Vacant Building
Project Type	Renovation
Project Cost	Hard Construction Costs: \$117,908,342 Acquisition Costs: \$19,674,634 Soft Costs: \$37,129,604 Total Project Cost: \$174,712,580
Private Investment	Private Financing: approx. \$88,431,256 or 75% of total construction costs Developer Equity: approx. \$40,300,081
Sq. Footage by Use	Commercial (Hotel): 490,789 SF Residential: 27,936 SF
Number of Units and Rent Ranges	280 Hotel Rooms; Avg. Daily Rate \$298.56 - Includes 1 Presidential Suite, 2 Junior Suites, and 11 Singel Bedroom Suites 16 2-BR Units; Rent Range \$4,466/month
Median 1-BD Rent Affordable To	Salary: \$178,640 City Job Classification: City Manager, Dental Director
Jobs and Payroll	Created FTE Positions: 381 Total Payroll for Created FTE Positions: \$19,570,624 Average Salary for Created FTE Positions: \$51,366 Construction FTE Positions: 498 Total Payroll for Construction FTE Positions: \$27.4 MM
Location and Transit	Located within the Central Business District Walk Score: 97 Transit Score: 80 Bike Score: 57
Community Engagement	None
Plan Cincinnati Goals	Compete Initiative Area Goal 2 (p. 114-120), Sustain Initiative Area Goal 2 (p.193-198)

Project Image and Site Map



Proposed Incentive

Incentive Terms	15-year, net 52%
Incentive Application Process	LEED Commercial CRA – Downtown Streetcar Area
“But For”	Y5 Without Abatement: 11% rate of return (stabilized) Y5 With Abatement: 14% rate of return (stabilized)
Environmental Building Certification	LEED Silver
VTICA	Streetcar VTICA – 15%
SBE/MBE/WBE Goals	SBE Goal of 30%

Potential Taxes Forgone & Public Benefit

Taxes Forgone	Value
Annual Net Incentive to Developer	\$924,687
Total Term Incentive to Developer	\$13,870,305
City's Portion of Property Taxes Forgone (Term)	\$3,748,486
City's TIF District Revenue Forgone (Term)	\$0

Public Benefit	Value	
CPS PILOT	Annual	\$586,821
	Total Term	\$8,802,309
VTICA	Annual	\$266,737
	Total Term	\$4,001,050
Income Tax Total Term (Maximum)	\$6,272,044	
Total Public Benefit (CPS PILOT, VTICA, Income Tax)	\$19,075,403	

Total Public Benefit ROI*	\$1.38
City's ROI**	\$1.67

* This figure represents the total dollars returned for public purposes (City/Schools/Other) over the benefit received.

**This figure represents the total dollars returned for City/ over the City's property taxes forgone.

For Reference: 2024 Cincinnati MSA Area Median Income Limits

AMI	1	2	3	4	5	6	7	8
30%	\$22,050	\$25,200	\$28,350	\$31,450	\$34,000	\$36,500	\$39,000	\$41,550
50%	\$36,700	\$41,950	\$47,200	\$52,400	\$56,600	\$60,800	\$65,000	\$69,200
60%	\$44,040	\$50,340	\$56,640	\$62,880	\$67,920	\$72,960	\$78,000	\$83,040
80%	\$58,700	\$67,100	\$75,500	\$83,850	\$90,600	\$97,300	\$104,000	\$110,700