

November 30, 2022

To: Mayor and Members of City Council

From: Sheryl M.M. Long, City Manager *SMM*

202202126

Subject: **Emergency Ordinance – Approving and Authorizing CRA Tax Exemption Agreement with Paramount Launch, 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 Paramount Launch, LLC, an affiliate of The Model Group, Inc., thereby authorizing a 15-year tax exemption for 100% of the value of improvements made to real property located at 954 E. McMillan Street in the Walnut Hills neighborhood of Cincinnati, in connection with the construction of approximately 29,988 square feet of residential space, consisting of 56 dwelling units, and approximately 6,790 square feet of commercial space, 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 \$11,602,886.

BACKGROUND/CURRENT CONDITIONS

Paramount Launch, LLC an affiliate of The Model Group, Inc. plans to construct a new building on the property located at 954 E McMillan Avenue in the Walnut Hills Neighborhood. The property is currently a vacant lot that used to be the site of the former Kroger grocer and that was acquired by Walnut Hills Redevelopment Foundation through a series of funding allocations from the City of Cincinnati. This project will consist of the new construction of a building at 954 E McMillan that will offer new commercial and residential space in the Walnut Hills community.

DEVELOPER INFORMATION

The Model Group is an integrated property development, construction, and management company with a passion for revitalizing urban neighborhoods. They are recognized for revitalizing vacant & blighted urban blocks into high-quality mixed-use communities and developing high-impact mixed-use and affordable housing projects with non-profit partners and service providers. They have completed projects like the Findlay Market Redevelopment, Walnut Hills Redevelopment, Broadway Square in Pendleton, and Elm & Iron.

PROJECT DESCRIPTION

As a component of a \$28 million project called Paramount Launch, 954 E. McMillan Avenue in Walnut Hills is the proposed new construction of a five-story mixed-use, mixed-income building (the "Property"). The Property will include 56 residential units

and 6,790 sq. ft of commercial space that is proposed to be occupied by a retail and/or restaurant tenant. The residential units will consist of 16 studio apartments that rent for \$900 a month, 28 small one-bedrooms that rent for \$1,000, and 12 large one-bedrooms that rent for \$1,200. The studio rents are affordable to households around 60% of the AMI and the one-bedroom rents are affordable to households ranging just shy of 60% AMI – 67% AMI. The Developer has represented that the rents in 51% (29) of the units will not exceed rents that are affordable to households at 80% of the AMI for the duration of the term. The total project cost is estimated to be \$19.6 million, with the construction cost estimated to be \$11.6 million. The project is estimated to take sixteen months to complete and is anticipated to support the creation of 240 temporary construction jobs with an estimated total payroll of \$4.8 million and twelve full-time equivalents with an annual payroll of \$500,000.

Paramount Launch as a whole is a project that will be developed in partnership with the Walnut Hills Redevelopment Foundation to bring new life and vitality back to the Former Kroger store site at 954 E. McMillan that was recently demolished. It will be redeveloped into a new 5-story building on McMillan and includes the renovation of the nearby historic Race Refrigeration and Durner buildings.

The project located at 954 E. McMillan Avenue is consistent with *Plan Cincinnati* within the Live Initiative Area’s Goal to Support and stabilize our neighborhoods (p. 148) and the Sustain Initiative Area’s Goals to “Preserve our Built History.” (p. 180). The proposed project is also consistent with *Plan Cincinnati* within the Live Initiative Area’s Goals to “Create a more livable community” (p. 156) and “Provide a full spectrum of housing options and improve housing quality and affordability” (p. 164).

Rent	Affordable to Salary	City Jobs (Min Salary exceeds affordable salary)
\$900.00	\$36,000.00	Telecommunication Specialist 1, Firefighter/ Paramedic 1; Parking Services Supervisor; Health Counselor,
1,000.000	\$40,000.00	Part-time Pharmacist, Police Recruit, Park Maintenance Crew Leader
1,200.000	48,000.00	Supervising Sanitarian, Truck Driver, Graphic Designer Supervisor, Sr. Contact Compliance Specialist

AMI	1	2	3	4	5	6	7	8
30%	\$20,100	\$22,950	\$25,800	\$28,650	\$32,470	\$37,190	\$49,910	\$46,360
50%	\$33,450	\$38,200	\$43,000	\$47,750	\$51,600	\$55,400	\$49,250	\$63,050
60%	\$40,140	\$45,840	\$51,600	\$57,300	\$61,920	\$66,480	\$59,100	\$75,660
80%	\$53,520	\$61,120	\$68,800	\$76,400	\$82,560	\$88,640	\$78,800	\$100,880

PROPOSED INCENTIVE

DCED is recommending a net sixty-seven (67%) commercial real estate tax abatement with a term of fifteen (15) years that will be attributable to the improved value generated from the construction.

Pursuant to the Commercial CRA policy established by City Council, the project scored five points as indicated below. However, the project's financial need meets the requirements of an Undercapitalized Project and the Administration recommends a 15-year net 67% CRA Tax Abatement:

"But For" Analysis (0-3 points) *	3
LEED (0-6 points)	2
Neighborhood VTICA (1 point for contributions over 1% but less than 15% and 8 points for contributions of 15% or more)	0
TOTAL	5

- * *"But For" Analysis Explanation:* five points were awarded for the following reasons:
- Providing this level of abatement will lower operating costs and help maintain lower rents.
 - Note – the final developer's return is pending the confirmation and terms of additional funding sources needed to finance the project. Even with an abatement, the projected return on equity is below what would be required for a for-profit developer for the first 15 years following construction and there is still a gap in the project financing stack that has been requested of the Affordable Housing trust fund by the Developer.

SUMMARY	
Incentive Value	
Annual Net Incentive to Developer	\$133,322
Total Term Incentive to Developer	\$1,999,833
City's Portion of Property Taxes Forgone (Term)	\$419,462
City's TIF District Revenue Forgone (Term)	\$0
Public Benefit	
CPS PILOT	
Annual CPS Pilot	\$65,666
Total Term CPS PILOT	\$984,993
VTICA	
Annual VTICA	\$0
Total Term VTICA	\$0
Income Tax (Max)	\$251,590
Total Public Benefit (CPS PILOT/VTICA /Income Tax)	\$1,236,582
Total Public Benefit ROI*	\$0.62

PROJECT TEAM & TIMELINE

The project team (listed below) will make themselves available at the request of the council member(s).

- Assistant City Manager: William Weber
- DCED Director: Markiea Carter
- Project Attorney: Kaitlyn Geiger

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

- November 30, 2022: Introduction to City Council
- December 5, 2022: Budget and Finance (1)
- December 12, 2022: Budget and Finance (2)
- December 15, 2022: City Council for Final Approval

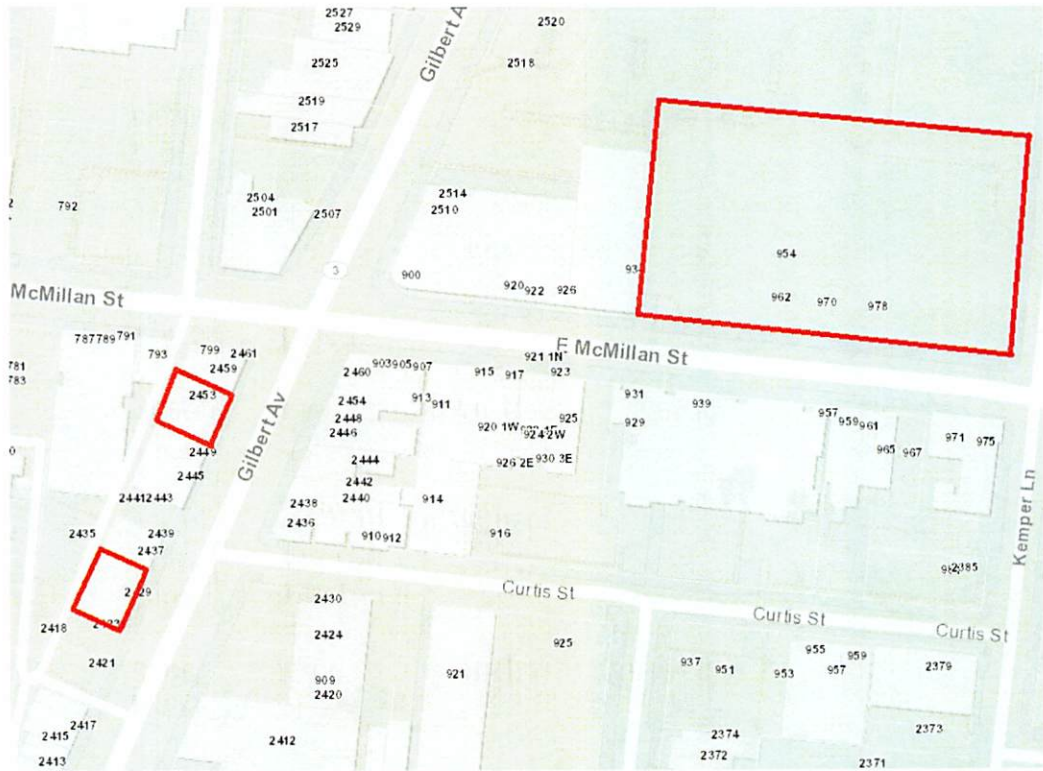
RECOMMENDATION

The Administration recommends approval of this Emergency Ordinance. This is an Emergency Ordinance so construction pricing can hold stable, and renovation can begin while the weather is still suitable.

Attachment: A. Property location and photographs

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

Attachment A: Location and Photographs



Property Location



954 E McMillan – New Construction