

April 5, 2023

To: Mayor and Members of City Council

202301063

From: Sheryl M.M. Long, City Manager

Subject: Emergency Ordinance – Approving and Authorizing a CRA Tax Abatement with 1007 Dayton Street, LLC

Attached is an Emergency Ordinance captioned:

APPROVING AND AUTHORIZING the City Manager to execute a Community Reinvestment Area Tax Exemption Agreement with 1007 Dayton Street, LLC, an affiliate of 8K Development Company, LLC, thereby authorizing a 15-year tax exemption for 100% of the value of improvements made to real property located at 1001-1007 Dayton Street in the West End neighborhood of Cincinnati, in connection with the remodeling of approximately 935 square feet of commercial space and approximately 3,510 square feet of residential space, consisting of 8 residential rental units, at a total construction cost of approximately \$1,269,520.

BACKGROUND/CURRENT CONDITIONS

1007 Dayton Street, LLC will be renovating two vacant and blighted mixed-use historic buildings situated on one parcel and more specifically located at 1001-1007 Dayton Street in the West End neighborhood of Cincinnati. Using Community Development Block Grant Funding, awarded through the City's annual Notice of Funding Availability (NOFA), and the funding from the affordable housing trust fund, the Developer plans to renovate the property to yield eight (8) residential units and 935 square feet of commercial space.

DEVELOPER INFORMATION

1007 Dayton Street, LLC is an affiliate of 8K Development, LLC (8K). 8K was founded in 2009, starting with a gut renovation of one dilapidated house on Langland Street in the Northside neighborhood of Cincinnati. Since then, 8K has grown into an integrated construction and property development company. Most recently 8K has co-led the KeyMark Development in the College Hill neighborhood of Cincinnati. The KeyMark Development consisted of 26 units affordable to households earning eighty percent (80%) of the area median income. Since 2016, 8K has completed over 30,000 square feet of residential renovation and over 15,000 square feet of commercial build-out in Northside, Over-the-Rhine, Walnut Hills, and College Hill.

Commercial CRA - *1001-1007 Dayton Street*

1007 Dayton Street, LLC

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RECOMMENDATION

The Administration recommends approval of this Emergency Ordinance. The reason for the Emergency Ordinance is due to the need to meet a strict financial closing and construction timeline after passage.

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	1007 Dayton
Street Address	1001 and 1007 Dayton
Property Condition	1007 Dayton is a three-story residential building, and 1001 Dayton St is a 4-story mixed-use, with first-floor commercial space and residential above. The buildings share a parcel (184-005-0149-00) but were historically separated and have separate addresses, building systems, etc. The buildings are certified as contributing structures to the Dayton St Historic District and are vacant and blighted in their current state.
Neighborhood	West End
Incentive Application Process	Commercial CRA (Non-LEED)
Recent or other projects by Developer	The KeyMark Development in College Hill (26 units affordable to 80% AMI), Brown Bear Bakery, 60 East McMicken in OTR (5 units affordable to 80% AMI), 1714 Vine St in OTR (10 units with 6 affordable to 80% AMI)
Approval at planning commission/Neighborhood support	Planning Commission approval is not applicable and the executive committee of the West End Community Council voted to abstain from issuing a letter of support/non-support. The abstention was a result of the committee not being able to pass a vote to support or not support the project. The concern was around affordable housing: Some of the committee members strongly opposed any type of affordable housing in the neighborhood, while others supported 80% AMI housing in the neighborhood.
Plan Cincinnati Goals	Achieves the Sustain Initiative Area Goal 2 (page 180) and Live Initiative Area Goal 3 (page 148)

Project Image



<u>Incentive Summary Category</u>	<u>Explanation</u>
Abatement Term and amount	15-year, net 67%
Construction Cost & Private investment committed	Approximately \$1.2 million in hard construction costs, with a NOFA award of \$291,500 and an award of \$200,000 from the AHTF. The private investment totals approximately \$1.2 million.
Sq. Footage by Use	Approximately 935 SF Commercial space and 3,500 SF of Residential space
Number of units and rental ranges	8 residential units (3 studios and 5 one bedrooms) rent range \$675-\$1,325 per month based on size, rents will not exceed what is affordable to 80% AMI during the abatement term.
Jobs created/retained and payroll (living wage)	Projected is anticipated to create 3 FTE @ estimated at \$93,000 annual payroll and 7 Construction jobs @ \$500,000 annual payroll.
“But For”	This project would not proceed without an abatement and without a financial subsidy; the project is undercapitalized and needs gap financing from the City and the AHTF to work.

Cash on Cash Return for developer (Market return between 8-12%, depends on investment risk)	Without Abatement: average 3% (Over 15yr Term) With Abatement: average 6% (Over 15yr Term)
LEED or other environmental build	Non-LEED
Neighborhood VTICA	No Neighborhood VTICA
Total Public Benefit (Benefits Realized vs Taxes Forgone)	\$0.71 of new CPS/VTICA/Income taxes for each \$1 forgone
Projected Income Tax Revenue	\$39,360
MBE/WBE Goals	11.8% MBE, 6.9% MBE
Transit Access/Walkability	The project site sits along metro bus routes 27, and 31, and is ¼ mile from Linn Street.
Geography	Located in the West End NRSA
Historic Preservation/Existing Building Renovation	This project will renovate two historic blighted buildings, preserving and reactivating them into a productive use.
Public Infrastructure Improvements	N/A

Rent	Affordable to Salary	City Jobs (Min Salary exceeds affordable salary)
\$670.00	\$26,800.00	Municipal Worker, Home Health Aide, Police Recruit, Admin Tech
\$1,325.00	\$53,000.00	Senior Plant operator, Service Crew Leader, Water Customer Service Representative, Water Works Maintenance Worker

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