

June 12, 2023
202301609

To: Mayor and Members of City Council

From: Sheryl M.M. Long, City Manager

Subject: Emergency Ordinance – Approving and Authorizing a CRA Tax Abatement with 8K Glenway, LLC

Attached is an Emergency Ordinance captioned:

APPROVING AND AUTHORIZING the City Manager to execute a Community Reinvestment Area Tax Exemption Agreement with 8K Glenway, LLC and the Port of Greater Cincinnati Development Authority, thereby authorizing a ten-year tax exemption for 100 percent of the value of improvements made to real property located at 4022-4028 Glenway Avenue and 1211-1213 Iliff Avenue in the West Price Hill neighborhood of Cincinnati, in connection with the remodeling of an existing building into approximately 2,205 square feet of commercial space and approximately 1,692 square feet of residential space consisting of two residential rental units, at a total construction cost of approximately \$1,179,802.

BACKGROUND/CURRENT CONDITIONS

The City and Price Hill Will are parties to a Stabilization Agreement to acquire and stabilize the property at 4022-4042 Glenway Avenue and 1211-1213 Iliff Avenue in the West Price Hill neighborhood. Price Hill Will was required to diligently market the property for sale or lease to a commercial developer or end user and 8K Development Company, LLC has been identified as such commercial developer.

8K Development Company intends to acquire title to the property from Price Hill Will and to redevelop the site. The first phase of the project includes the building structure at 4022-4028 Glenway Avenue and the adjacent lots. The building structure is currently vacant with two street-level commercial units and two residential units above. The Developer plans to remodel the existing building on the property, 4022-4028 Glenway Avenue, to create approximately 2,205 square feet of commercial space and approximately 1,692 square feet of residential space consisting of two residential units.

DEVELOPER INFORMATION

8K Development Company, dba 8K Glenway, LLC was founded in 2009. Starting with the gut renovation of one dilapidated house on Langland Street in Northside, 8K has grown into an integrated construction and property development company. The renaissance in Cincinnati's core neighborhoods has led to expertise across a broad spectrum of development and construction services such as comprehensive historic renovations, commercial buildouts, and ground up construction. In 2016, the

organization was reconfigured into two companies, 8K Development Co. and 8K Construction Co. Since the reorganization, 8K has completed over 30,000 sf of residential renovation and over 15,000 sf of commercial build-out working primarily in Northside, Over-the-Rhine, and Walnut Hills

RECOMMENDATION

DCED is recommending a 10-year, net 67% Commercial CRA tax abatement on the improved value property.

DCED's recommendation is based on the following reasons:

- The project is being completed in partnership with Price Hill Will, the Community Development Corporation. Price Hill Will has marketed the site and project to the Developer as a response to the community's need to redevelop the commercial and residential units and activate this block of the business district for an increase in commercial activity.
- The project will bring 2 new affordable housing units to the neighborhood with rental rates that resemble affordability at 60% AMI.
- The project will involve creating 2 new commercial storefronts along Glenway Avenue. Two existing tenants currently located in the 4034-4042 Glenway building will be relocated and retained within the project to 4022-4028 Glenway. Both tenants have combined tenure of over 30 years in the business district, and the relocation will position them for future growth opportunities.
- A parking lot containing 30 parking spaces will be constructed immediately adjacent to the project site.
- A CRA abatement is needed in order to achieve the proposed debt amount of \$150,000. Without a CRA abatement, the debt capacity will decrease even further which would result in an unfinanceable project gap. Additional developer equity is not available to fill the gap due to the high costs of renovation and lower-projected cash flow of the projected as a result of the affordable commercial rental limits the Developer has agreed to create.
- The 10-year term for the abatement matches the term for the permanent loan with the City.

The Administration recommends approval of this Emergency Ordinance. The Developer plans to secure financing immediately to start construction by the third quarter of 2023.

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	4024-4028 Glenway Avenue
Street Address	4024-4028 Glenway Avenue
Property Condition	Vacant building with two street-level commercial units and two, two-bedroom residential units above.
Neighborhood	West Price Hill
Incentive Application Process	Commercial CRA – Neighborhood Area (Non-LEED)
Recent or other projects by Developer	1714 Vine Street, KeyMark Phase I & II
Approval at planning commission/Neighborhood support	<ul style="list-style-type: none"> - Approval for funding and development by Ordinance 302-2021, passed by City Council on August 4, 2021 - Community Engagement Meeting facilitated by City Planning and Engagement on July 20, 2021.
Plan Cincinnati Goals	Achieves the Compete Initiative Area Goal 2 (pages 114-120), Live Area goal 3 by (pages 164-178), and Sustain Initiative Area Goal 2 (pages 193-198)

Project Image



<u>Incentive Summary Category</u>	<u>Explanation</u>
Abatement Term and amount	10-year, net 67% Commercial CRA tax abatement
Additional Incentive	\$1,076,283 Funding and Development Agreement to 8K Glenway, LLC
Construction Cost & Private investment committed	\$1,179,802 in hard construction costs and \$237,505 in soft costs; Developer expects to receive a loan of \$150,000 from the Northside Bank & Trust Company
Sq. Footage by Use	2,205 SF – Commercial 1,692 SF – Residential
Number of units and rental ranges	2 two-bedroom units <ul style="list-style-type: none"> - 2 affordable to 60% AMI - (\$1,000/month) - Units are not income restricted. Developer plans to maintain rental rates at this rate during the first 10 years with adjustments for inflation.
Jobs created/retained and payroll (living wage)	Projected to retain 2 FTE positions at \$70,000 in annual payroll (avg. of \$35,000 annually per job) and 6 temporary construction jobs at \$420,000 annual payroll
“But For”	The project as presented, with restricted commercial lease rates, would not proceed without the proposed incentive package due to the Developer not receiving adequate returns until after Year 10
Cash on Cash Return for developer (Market return between 8-12%, depends on investment risk)	Without Abatement: Year 5: -9% (stabilized vacancy) With Abatement: Year 5: 2% (stabilized vacancy)
LEED or other environmental build	Non-LEED
Neighborhood VTICA	N/A
Total Public Benefit (Benefits Realized vs Taxes Forgone)	\$2.92 of new CPS/VTICA/Income taxes for each \$1 forgone
Projected Income Tax Revenue	\$16,380
MBE/WBE Goals	SBE Goal of 30%

Transit Access/Walkability	Sits along 33 and 65 Metro bus routes
Geography	Located in the East/West Price Hill NRSA
Historic Preservation/Existing Building Renovation	This project will renovate the basement, first floor/street-level , and second floor of the building preserving and reactivating the building for future use
Public Infrastructure Improvements	N/A

Rent	Affordable to Salary	City Jobs (Min Salary exceeds affordable salary)
\$1,000	\$40,000.00	Part-time Nurse, Assistant Supervisor of Fleet Services, Legal Assistant, Community Development Analyst, Parks/Rec Service Area Coordinator

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