

February 2, 2021

To: Mayor and Members of City Council

202100464

From: Paula Boggs Muething, City Manager

Subject: **DEVELOPMENT AGREEMENT FOR LIBERTY & ELM  
(C VERSION)**

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Attached is an Emergency Ordinance captioned as follows:

**AUTHORIZING** the City Manager to execute a Development Agreement with OTR Project Partners, LLC, pertaining to the development and construction of residential rental units, including certain affordable units, and commercial space at 1617 Elm Street and 1621 Logan Street in the Over-the-Rhine neighborhood of Cincinnati, and providing 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 this Council of a separate ordinance authorizing such tax exemption.

#### **ADDITIONAL DEAL TERMS – C VERSION**

The Developer will commit to provide for a term of 30 years at least 10% of the newly constructed residential units between 1617 Elm Street and 1621 Logan Street to be rented to tenants with an annual household income not to exceed 80% of Area Median Income.

Additionally, the Developer represents that it or its affiliate will use commercially reasonable efforts to apply for Low Income Housing Tax Credits (LIHTC) from the State of Ohio Housing Finance Agency to support the redevelopment of the historic properties it controls at 212-214 W. Liberty Street and 1711-1713 Elm Street, directly adjacent to the Liberty & Elm project site. If successful, the Developer will construct at least 5% of the aggregate housing units created by the new construction and renovation projects in accordance with all affordability requirements associated with LIHTC funding. Generally speaking, the average income limitations for a LIHTC project must not exceed 60% of Area Median Income.

In order to make the project financially feasible given the reduced cash flows from restricted rents, the Developer has reduced the VTICA contributions that it is willing to make. For years 21 through 30 of the incentive term, the Developer is now willing to make a VTICA contribution equal to the greater of \$65,000 or 5% of the Service Payments for the purpose of funding the maintenance and operations of the streetcar.

This is a modification of the original deal terms, contained in the B Version of this ordinance, where the developer was willing to make a VTICA contribution in years 11-30 equal to the greater of \$90,000 or 7% of the Service Payments for the purpose of funding the maintenance and operations of the streetcar. As further described below, this results in a projected approximately \$800,000 reduction in the cumulative VTICA contributions over the term of the incentive.

### **BACKGROUND/CURRENT CONDITIONS**

Under ordinance 87-2017 passed on May 10, 2017, City Council authorized the City Manager to execute a Property Sale & Development Agreement with W. Liberty & Elm, LLC, an affiliate of Source 3 Development, to construct a mixed-use project at the corners of Liberty and Elm Streets in Over-the-Rhine. The project required the vacation of City-owned right-of-way including portions of Campbell Street and Freeport Alley. Due to financing complications, Source 3 did not proceed with the project and a new development team lead by KEAN Ventures (formerly Fortus Group) and Buckingham Companies acquired the project in early 2018. Since then, the new development team has worked diligently to reimagine the project and improve the overall design. In addition to the original site at 1617 Elm Street, the project will now incorporate the site of the former Boys & Girls Club of Greater Cincinnati, vacant since 2015, at 1621 Logan Street.

### **DEVELOPER INFORMATION**

OTR Partner Projects, LLC is an affiliate between FG OTR 1, LLC (KEAN Ventures), an Ohio company, and BC OTR Cincinnati, LLC (Buckingham Companies), an Indiana company. Together, the partnership is also developing the former Anthem Office Site in the East Walnut Hills neighborhood of Cincinnati where they broke ground in 2020.

### **PROJECT DESCRIPTION**

Developer will first demolish the existing improvements at 1621 Logan Street and subsequently develop a six to seven story residential apartment building with 130 rental units. The newly constructed building at 1617 Elm Street will be a five-story mixed-use development consisting of 148 apartment units, 10,000 square feet of commercial space, and a 220-space structured parking garage. Freeport Alley will also be restored for pedestrian and bicycle use as part of the project. Additionally, the Developer will commit to provide at least 10% of the newly constructed residential units to be rented to tenants with an annual household income not to exceed 80% of Area Median Income. Once completed, monthly rents for the project will range from \$1,400 for a studio apartment to \$2,800 for a four-bedroom unit. Total project cost is estimated to be \$77,000,000.

### **PROPOSED INCENTIVE**

DCED is recommending a Tax Increment Financing (TIF) exemption for the project site pursuant to Ohio Revised Code 5709.41 for a period of 30 years. Following the creation of the project TIF, the City and Developer will enter a Service Agreement

which will require payment of full 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, and for tax years 21-30, Developer is willing to make an annual VTICA contribution equal to the greater of \$90,000 or 5% of the Service Payments for the purpose of funding the maintenance and operations of the streetcar, in accordance with Council policy. The proposed VTICA contributions in this C version are projected to total \$650,000 cumulatively over the life of the incentive. As mentioned above, this is a reduction of approximately \$800,000 from the cumulative amount that is projected to be contributed under the B version of this ordinance.

As a material representation for the City to provide this incentive the Developer will contribute \$750,000 to a City-designated third-party organization to be used to develop and preserve affordable housing in the City. Without the project TIF, the Developer is unable to secure the construction financing for the project improvements.

<b>SUMMARY</b>	
<b>Forgone Public Benefit if Project Does not Proceed</b>	
Affordable Housing Contribution ( <b>Forgone</b> )	(\$750,000)
CPS PILOT ( <b>Forgone New Revenue</b> )	(\$10,288,656)
VTICA ( <b>Forgone New Revenue</b> )	(\$650,000)
Income Tax ( <b>Forgone New Revenue</b> )	(\$611,730)
<b>Total Public Benefit Lost</b>	<b>(\$12,300,386)</b>
<b>Incentive Value</b>	
Annual Net Incentive to Developer	\$644,340
<b>Total Term Incentive to Developer</b>	<b>\$19,330,203</b>
<b>City's Portion of Property Taxes Forgone</b>	<b>\$4,023,836</b>
<b>Public Benefit</b>	
Affordable Housing Contribution	<b>\$750,000</b>
CPS PILOT	
Annual CPS Pilot	\$342,955
Total Term CPS PILOT	<b>\$10,288,656</b>
VTICA	
Average Annual VTICA over Term	\$21,667
Total Term VTICA	<b>\$650,000</b>
Income Tax (Max)	<b>\$611,730</b>
<b>Total Public Benefit (CPS PILOT/VTICA /Income Tax)</b>	<b>\$12,300,386</b>
Total Public Benefit ROI	\$0.64
City's ROI	\$3.06

**RECOMMENDATION**

The Administration recommends approval of this Emergency Ordinance. The project will bring additional housing units, both market rate and affordable units, to the

Development Agreement

*OTR Project Partners, LLC – Liberty & Elm Development*

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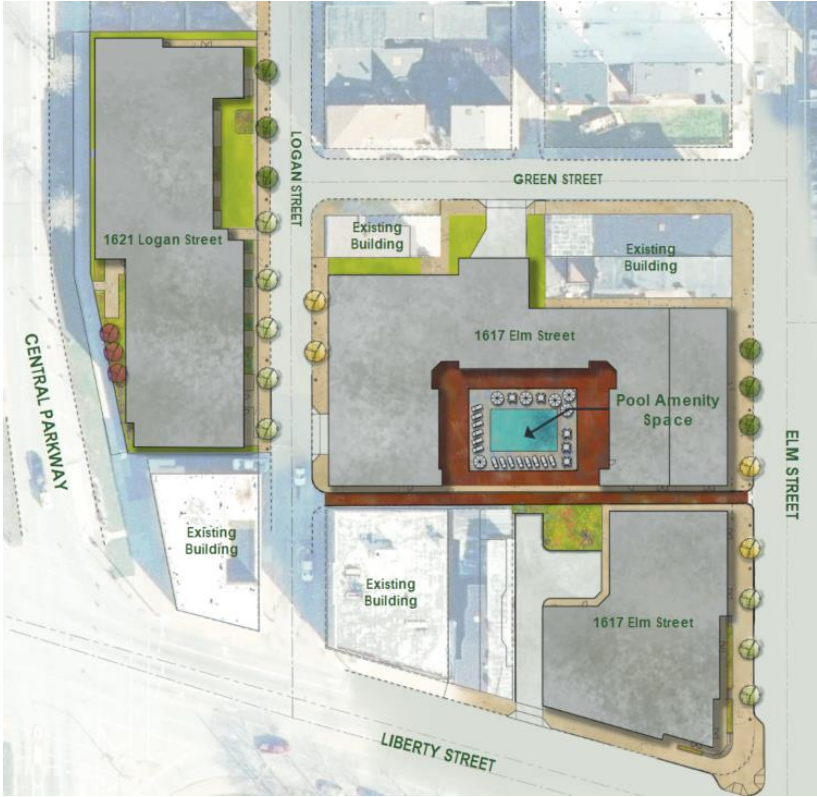
urban core and will add much needed density to northern Over-the-Rhine, specifically on the streetcar line. This development will replace a vacant and underutilized prominent corner in the City and help fill a gap in connectivity between southern and northern Over-the-Rhine. The emergency clause is needed so that the project can meet its construction commencement deadlines.

Attachment: A. Property location and photographs

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

**Attachment A: Location and Concept Plan**

*Property Location & Concept Plan*



*1617 Elm Street – Elevation*

