

**June 15, 2022**

**To:** Members of Budget and Finance Committee 202201409

**From:** John P. Curp, Interim City Manager

**Subject:** **Emergency Ordinance – Authorizing a Community Reinvestment Area Tax Exemption Agreement with OTR Holdings, Inc.**

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Attached is an Emergency Ordinance captioned:

**APPROVING AND AUTHORIZING** the City Manager to execute a Community Reinvestment Area Tax Exemption Agreement with OTR Holdings, Inc., or affiliate acceptable to the City, thereby authorizing a 12-year tax exemption for 100% of the value of improvements made to real property located at 1701-1705 Race Street and 1338 and 1401 Main Street in the Over-the-Rhine neighborhood of Cincinnati, in connection with the remodeling of five vacant buildings into a mixed-use development containing approximately 6,583 square feet of ground floor commercial retail space and approximately 24,271 square feet of residential space consisting of approximately 38 residential rental units, at a total construction cost of approximately \$8,595,106.

#### **BACKGROUND/CURRENT CONDITIONS**

Located at 1701-1705 Race Street, and 1338 and 1401 Main Street, the proposed scattered-site project will include the renovation of 5 vacant, historic buildings that have been long vacant and blighted. This project is part of a larger comprehensive re-development project Developer (Cincinnati Center City Development Corporation) intends to complete in Over-the-Rhine.

The development of the site will replace underutilized land blocks, reduce vacancy, create jobs, and increase property values and the tax base.

#### **DEVELOPER INFORMATION**

OTR Holdings, Inc. is a nonprofit corporation affiliated with Cincinnati Center City Development Corporation (3CDC). 3CDC is an experienced non-profit developer that has undertaken more than \$1.4B in investment in downtown and Over-the-Rhine since 2003, including historic mixed-use buildings.

#### **PROJECT DESCRIPTION**

Developer desires to renovate 5 vacant, historic buildings into mixed-use space containing approximately 6,853 square feet of ground-floor commercial space and approximately 24,271 square feet of residential space, consisting of 38 residential units. The unit count by type and proposed rents are as follows: (9) studio units, with rents

ranging between \$571-\$868, (24) 1-bedroom units with rents ranging between \$859-\$1,883, and (5) 2-bedroom units with rents ranging between \$1,751-\$2,202. A minimum of 20% of the units, or 9 units, will be made affordable to households making 80% of the Area Median Income for a minimum of 10 years.

Construction is planned to start in July 2022 with an anticipated completion date in July 2023. The project will support the creation of 25 full-time equivalent permanent jobs with an estimated total annual payroll of approx. \$1,033,400 and 180 full-time temporary construction jobs with an estimated total annual payroll of \$8.8 million. Total project cost is estimated at \$14 million, with construction costs at approx. \$8.6 million.

This project represents Plan Cincinnati’s “Vision to Compete” by making a targeted investment, and its “Vision of Live” to support and stabilize our neighborhoods. This project also achieves Plan Cincinnati’s Sustain Initiative Area’s Goal to “Preserve our built history” (p. 197).

**PROPOSED INCENTIVE**

The Department of Community and Economic Development (DCED) is recommending a 12-year, net 52% CRA tax exemption based on the project’s financial underwriting. The exemption only applies to the increase in improvement value attributed to the renovation. See tax exemption summary below.

Additionally, DCED is in the process of evaluating Developer’s Tax Increment Financing request in connection with gap financing for the development.

<b>SUMMARY*</b>	
<b>Incentive Value</b>	
Annual Net Incentive to Developer	\$79,163
<b>Total Term Incentive to Developer</b>	<b>\$949,952</b>
<b>City's Portion of Property Taxes Forgone</b>	<b>\$0</b>
<b>Potential TIF District Revenue (#3 &amp; #4) Forgone</b>	<b>\$1,333,586</b>
<b>Public Benefit</b>	
CPS PILOT	
Annual CPS Pilot	\$50,238
<b>Total Term CPS PILOT</b>	<b>\$602,854</b>
VTICA	
Annual VTICA	\$22,835
<b>Total Term VTICA</b>	<b>\$274,025</b>
<b>Income Tax (Max)</b>	<b>\$363,857</b>
<b>Total Public Benefit (CPS PILOT/VTICA /Income Tax)</b>	<b>\$1,240,736</b>
Total Public Benefit ROI**	\$1.31
City's ROI**	\$0.93

\*This summary does not include the potential Tax Increment Financing assistance for gap financing.

\*\*If the project were going to happen regardless of incentive, this is the return of real dollars for public benefits as potential future dollars are forgone. Note that the property is located in both the Downtown OTR West TIF District and Downtown OTR East TIF District which impacts the standard City property tax calculation.

**PROJECT TEAM & TIMELINE**

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

- Assistant City Manager: William Weber
- DCED Director: Markiea Carter
- Project Attorney: Samantha Brandenburg

The anticipated council timeline is as follows:

- June 15, 2022: City Council for Introduction
- June 21, 2022: Budget and Finance Committee
- June 27, 2022: Budget and Finance Committee
- June 29, 2022: City Council for Final Approval

**RECOMMENDATION**

The Administration recommends approval of this Emergency Ordinance. The emergency clause in the Ordinance is required for the developer to maintain a strict project schedule and minimize increased construction costs.

Attachment: A. Property locations and photographs

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

## Attachment A: Locations and Photographs

### *Property Locations*



1701-1705 Race Street



1338 & 1401 Main Street

### *Property Photographs*



1701-1705 Race Street



1338 & 1401 Main Street