

April 21, 2021

To: Mayor and Members of City Council 202101480

From: Paula Boggs Muething, City Manager

Subject: **COMMUNITY REINVESTMENT AREA TAX EXEMPTION
AGREEMENT FOR 1923 ELM, LLC.**

Attached is an Emergency Ordinance captioned as follows:

APPROVING AND AUTHORIZING the City Manager to execute a *Community Reinvestment Area Tax Exemption Agreement* with 1923 Elm, LLC, thereby authorizing a 15-year tax exemption for 100% of the value of improvements made to real property located at 1923-1927 Elm Street and 205-207 Henry Street in the Over-the-Rhine neighborhood of Cincinnati, in connection with the remodeling of an existing building into approximately 13,398 square feet of commercial space, consisting of a 20-room boutique hotel, which remodeling shall be completed in compliance with Leadership in Energy Environmental Design Silver, Gold, or Platinum standards or Living Building Challenge standards, a total construction cost of approximately \$4,147,682.

BACKGROUND/CURRENT CONDITIONS

This property is a vacant building in the Over-the-Rhine neighborhood of Cincinnati. It is within the OTR Historic District near Findlay Market and directly across from Rhinegeist Brewery. The property has historically been a vacant building in a state of disrepair. The Developer submitted a CRA application to DCED requesting assistance in the redevelopment of this property.

DEVELOPER INFORMATION

1923 Elm, LLC is affiliated with Kingsley + Co., a 100% African American owned development firm. The company partnered on the redevelopment of Mabley Place Garage in the Central Business District, as well as the Fairfield Inn & Suites at U-Square in CUF. From site acquisition to asset management, Kingsley + Co. stretches the full spectrum of real estate and development services.

PROJECT DESCRIPTION

Once completed, this project will be redeveloped into a 20-unit self-check boutique hotel that will meet LEED Silver building standards. In connection with this project, it is estimated that 20 temporary construction jobs are created at a total annual payroll of \$750,000 and 3 full time jobs are created at a total annual payroll of \$100,000.

This project is consistent with several of Plan Cincinnati’s goals including the City’s goal to remain competitive economically, and the City’s goal to be good stewards of its resources—both built and environmental.

PROPOSED INCENTIVE

The Ordinance provides for a 100% (net 52%), 15-year CRA tax exemption for this property. The exemption applies only to the increase in value of the building attributable to the project improvements. Pursuant to the Commercial CRA policy established by City Council, this project is located within the Streetcar VTICA Area and is therefore subject to analysis based on project underwriting, VTICA contribution, and job creation to determine abatement terms.

The administration is recommending a 15-year CRA term to allow for the project to secure adequate construction and permanent financing using the realized savings. This project will result in a more vibrant mixed-use district along the Elm street corridor near Findlay Market and bring a new lodging option to the neighborhood to support surrounding businesses by offering a complimentary use.

SUMMARY		
Forgone Public Benefit if Project Does not Proceed		
CPS PILOT (Forgone New Revenue)		(\$241,927)
VTICA (Forgone New Revenue)		(\$109,967)
Income Tax (Forgone New Revenue)		(\$39,375)
Total Public Benefit Lost		(\$391,269)
Incentive Value		
Annual Net Incentive to Developer		\$25,415
Total Term Incentive to Developer		\$381,218
City’s Portion of Property Taxes Forgone		\$94,616
Public Benefit		
CPS PILOT		
Annual CPS Pilot		\$16,128
Total Term CPS PILOT		\$241,927
VTICA		
Annual VTICA		\$7,331
Total Term VTICA		\$109,967
Income Tax (Max)		\$39,375
Total Public Benefit (CPS PILOT/VTICA /Income Tax)		\$391,269
Total Public Benefit ROI*		\$1.03
City’s ROI*		\$4.14

CRA Tax Exemption

MKRB1, LLC.

Page 3 of 3

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.

Attachment: A. Property location and photographs

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

Attachment A: Location and Photographs

