

April 14, 2021

To: Mayor and Members of City Council 202101424

From: Paula Boggs Muething, City Manager

Subject: **COMMERCIAL CRA TAX ABATEMENT FOR 5920 HAMILTON AVENUE**

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Attached is an Emergency Ordinance captioned as follows:

**APPROVING AND AUTHORIZING** the City Manager to execute a *Community Reinvestment Area Tax Exemption Agreement* with CH KeyMark LLC, thereby authorizing a 15-year tax exemption for 100% of the value of improvements made to real property located at 5920 Hamilton Avenue in the College Hill neighborhood of Cincinnati, in connection with the remodeling of the existing building to create approximately 5,200 square feet of commercial restaurant space, at a total construction cost of approximately \$848,000.

### **BACKGROUND/CURRENT CONDITIONS**

CH Keymark LLC (“Developer”) plans to renovate a vacant commercial building in College Hill, 5920 Hamilton Ave (“Property”) to create finished restaurant space for a committed commercial tenant, the Sleepy Bee Cafe.

This development began when College Hill Community Urban Redevelopment Corporation (CHCURC), with partial assistance from the City in the form of a CDBG acquisition loan, successfully acquired the former House of Joy church portfolio of properties in the College Hill business district in December 2018. Since that time, CHCURC has partnered with 8K Construction Company, LLC (8K) in a plan to renovate several properties in the College Hill Business District in what will be called the KeyMark development. This project is the first phase of KeyMark.

## **DEVELOPER INFORMATION**

The Developer, CH Keymark LLC, is a project-specific partnership entity affiliated with both CHCURC and 8K. Both developers have previously completed commercial and mixed-use renovation projects in the city of Cincinnati.

The tenant, Wee Hive, LLC, does business as the Sleepy Bee Café, which is a restaurant that has existing locations in the Central Business District, Blue Ash, Avondale, and the original Oakley location.

## **PROJECT DESCRIPTION**

The Developer plans a major renovation of the 5,200 square foot building to finish out the restaurant space with a full kitchen and outdoor patio. The tenant plans to offer breakfast, lunch, and dinner at this location *when* it opens in approximately twelve months. The total development cost will be approximately \$1,293,000.

The restaurant tenant commits to the creation of 30.5 new full-time equivalent jobs within 3 years, with a total annual payroll of approximately \$964,080. In addition, the project will create 15 temporary construction jobs representing approximately \$580,000 in payroll.

This project supports the Plan Cincinnati strategy to “Grow our own’ by focusing on retention, expansion and relocation of existing businesses,” (*Plan Cincinnati*, p. 103) including “actively pursu[ing] small and medium-sized local businesses to locate within centers of activity to help businesses grow and neighborhoods revitalize” (p. 116).

## **PROPOSED INCENTIVE**

DCED is recommending a net 60% commercial tax abatement for a 15-year term, inclusive of a 7% VTICA contribution. DCED considers the project to be an Undercapitalized Project pursuant to City Council’s Commercial CRA policy for neighborhoods.

This historic property’s complete renovation represents a very limited return on investment, that is only financially feasible with a tax abatement in place.

In keeping with the requirements of the Undercapitalized Project designation, the project provides multiple public benefits including the elimination of blight/vacancy, the creation of jobs, and contribution to a neighborhood VTICA to benefit the College Hill neighborhood and affordable housing.

<b>SUMMARY</b>	
<b>Forgone Public Benefit if Project Does not Proceed</b>	
CPS PILOT (Forgone New Revenue)	(\$77,948)
VTICA (Forgone New Revenue)	(\$16,534)
Income Tax (Forgone New Revenue)	(\$269,872)
<b>Total Public Benefit Lost</b>	<b>(\$364,354)</b>
<b>Incentive Value</b>	
Annual Net Incentive to Developer	\$9,448
<b>Total Term Incentive to Developer</b>	<b>\$141,724</b>
<b>City's Portion of Property Taxes Forgone</b>	<b>\$30,485</b>
<b>Public Benefit</b>	
CPS PILOT	
Annual CPS Pilot	\$5,197
Total Term CPS PILOT	<b>\$77,948</b>
VTICA	
Annual VTICA	\$1,102
Total Term VTICA	<b>\$16,534</b>
Income Tax (Max)	<b>\$269,872</b>
<b>Total Public Benefit (CPS PILOT/VTICA /Income Tax)</b>	<b>\$364,354</b>
Total Public Benefit ROI*	\$2.57
City's ROI**	\$9.39

\*This figure represents the total dollars returned for public purposes (City/Schools/Other) over the benefit received

\*\*This figure represents the total dollars returned for City/VTICA over the City's property taxes forgone

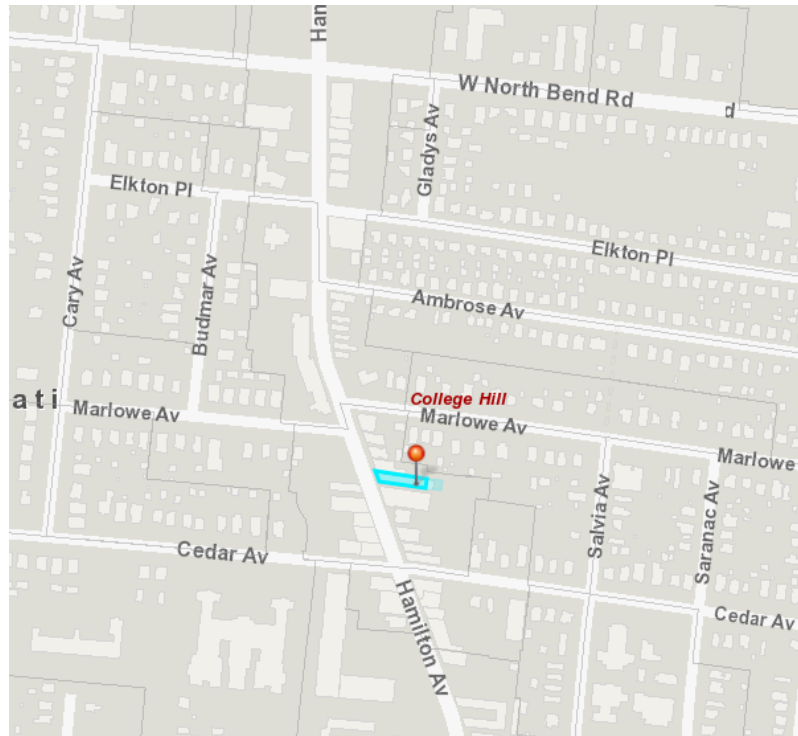
## **RECOMMENDATION**

The Administration recommends approval of this Emergency Ordinance. The reason for the emergency clause is that the project is scheduled to begin construction immediately upon City approval of the incentive.

Attachment: A. Property location and photographs

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

**Attachment A: Location and Photographs**



*Property Location*



*5920 Hamilton Avenue*

