

April 24, 2024

To: Mayor and Members of Council

From: Sheryl M.M. Long, City Manager

202401256

Subject: B Version- Emergency Ordinance – Authorizing a Development Agreement with 616 Race, LLC

Attached is an Emergency Ordinance captioned:

AUTHORIZING the City Manager to execute a Development Agreement with 616 Race LLC, pertaining to the development and construction of approximately 84,281 square feet of commercial space, consisting of approximately 109 hotel rooms, on property located at 614-616 Race Street in the Central Business District 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 thirty-year property tax exemption for improvements pursuant to Ohio Revised Code Section 5709.41, subject to the passage by Council of a separate ordinance authorizing such tax exemption.

BACKGROUND/CURRENT CONDITIONS

The project involves the renovation of 614-616 Race Street located in the Central Business District. The building previously housed The Chong Inc, a downtown clothing and consumer goods retailer and has been vacant since March 2020. The Cincinnati Center City Development Corporation (3CDC) acquired the building in May 2020 and was awarded State historic tax credits to renovate the building in June 2022. 3CDC has partnered with Keystone Management Group (Keystone) and intends to sell the building to Keystone to redevelop the property. Keystone submitted a financial assistance application seeking City incentives to support the redevelopment of the building in October 2023.

DEVELOPER INFORMATION

At the time of signing the Development Agreement and the conveyance and reconveyance of the project property to facilitate the incentive, 616 Race, LLC will be owned by 3CDC. Immediately following the conveyance and reconveyance of the project property, 616 Race, LLC will be owned by Keystone Management Group. Founded in 2000, Keystone Management Group is a hotel investment, development, and management firm headquartered in Greater Cincinnati (Symmes Township). Keystone Management Group currently manages eight hotels in the Greater Cincinnati area and is currently constructing two additional hotels. Recent projects located within the City include the completed 110-unit TownePlace Suites by Marriott located at 106 W. 7th Street as well as the 116-unit Home2Suites by Hilton under construction in Oakley.

RECOMMENDATION

A B Version of this ordinance is being provided due to a clarification needed to the property ownership structure. The Administration recommends approval of this Emergency Ordinance. The emergency clause is necessary to confirm City support to facilitate the financial closing and so that construction can commence at the earliest possible time.

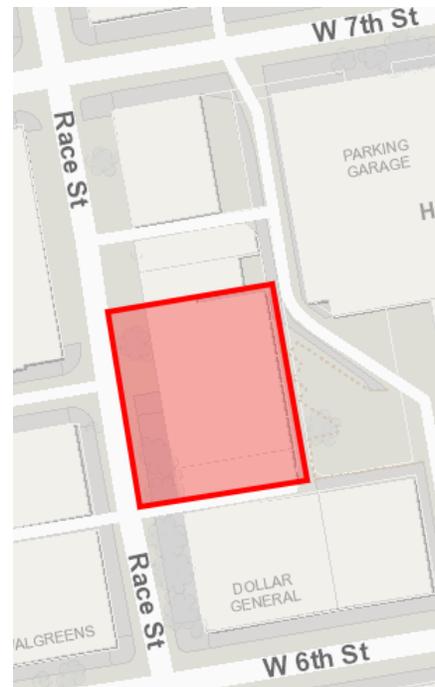
Attachment: Project Outline and Proposed Incentive

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

Project Outline

Project Name	616 Race Street Redevelopment
Street Address	614-616 Race Street
Neighborhood	Central Business District
Property Condition	Vacant building
Project Type	Renovation
Project Cost	Acquisition & Predevelopment Cost: \$3.2 Hard Construction Cost: \$18.1MM Soft Cost: \$4.3MM FF&E & Initial Operating Cost: \$2.5MM Total Project Cost: \$28.1MM
Private Investment	Private Financing: \$21.10MM Developer Equity: \$7.0
Sq. Footage by Use	Hotel: 84,000 SF
Rent Ranges	Average Daily Hotel Rate: \$162/night
Jobs, Payroll, and Hotel Tax Revenue	Created FTE Positions: 20 Total Payroll for Created FTE Positions: \$700K Average Salary for Created FTE Positions: \$35,000 Construction FTE Positions: 80 Total Payroll for Construction FTE Positions: \$5.2MM Annual City Hotel Tax Revenue: \$193K
Location and Transit	Transit Score: 82 (Excellent)
Community Engagement	Presented at Community Council (CC) in October 2023. Received letter stating no objections.
Plan Cincinnati Goals	Compete Initiative Area Goal 2 (p. 114-120), Sustain Initiative Area Goal 2 (p.193-198)

Project Image and Site Map



Proposed Incentive

Incentive Terms	25-year, net 52% Project TIF
Project TIF Type	ORC 5709.41 (“Private Project”)
“But For”	Without Exemption: -1% rate of return (stabilized); 10% average rate of return over incentive term With Exemption: 2% rate of return (stabilized); 13% average rate of return over incentive term
Environmental Building Certification	Non-LEED
VTICA	15%
SBE/MBE/WBE Goals	17% MBE, 10% WBE
Planning Commission Approval	City entering chain of title approved on 4/19/2024
Other Incentives & Approvals	Project has secured Ohio Historic Tax Credits
Additional Incentive Details	City to receive Excess Service Payments for years 26-30.

Potential Taxes Forgone & Public Benefit

Taxes Forgone	Value
Annual Net Incentive to Developer	\$161,415
Total Term Incentive to Developer	\$4,035,373
City's Portion of Property Taxes Forgone (Term)	\$1,090,570
City's TIF District Revenue Forgone (Term)	\$5,665,042

Public Benefit	Value	
CPS PILOT	Annual	\$102,436
	Total Term	\$2,560,909
VTICA	Annual	\$46,562
	Total Term	\$1,164,050
Income Tax Total Term (Maximum)	\$409,500	
Total Public Benefit (CPS PILOT, VTICA , Income Tax)	\$4,134,459	

Total Public Benefit ROI*	\$1.02
City's ROI**	\$0.06

*This figure represents the total dollars generated for public purposes (City/Schools/Other) over total property taxes forgone.

**This figure represents the total income tax generated for the City over the City's property taxes forgone.