

April 26, 2023

**To:** Mayor and Members of City Council

202301246

**From:** Sheryl M.M. Long, City Manager

**Subject: Emergency Ordinance – Approving and Authorizing a Community Reinvestment Area Tax Exemption Agreement with Findlay Parkside, LLC**

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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 (LEED or Living Building Challenge)* with Findlay Parkside, LLC, an affiliate of The Model Group, Inc., thereby authorizing a fifteen-year tax exemption for 100 percent of the value of improvements made to real property located at 1804 Vine Street, 31 E. McMicken Avenue, 1812-1816 Vine Street, 1822 Vine Street, 29 E. McMicken Avenue, 118 Findlay Street, 1720 Elm Street, and 116 W. Elder Street in the Over-the-Rhine neighborhood of Cincinnati, in connection with the remodeling of existing buildings into a mixed-use development consisting of, in aggregate, approximately 16,456 square feet of commercial space and approximately 31,403 square feet of residential space, comprised of approximately 51 residential rental units, which remodeling shall be completed in compliance with Leadership in Energy and Environmental Design Silver, Gold or Platinum standards or Living Building Challenge standards, at a total remodeling cost of approximately \$15,710,420.

### **BACKGROUND/CURRENT CONDITIONS**

In March 2023, The Model Group (TMG) (the “Developer”) completed their applications for financial assistance for the project called Findlay Parkside. This application included properties that had already received a Commercial CRA tax abatement from the City under the name “Findlay Exchange” approved by Council Ordinance 374-2022. Findlay Parkside, LLC, an affiliate of TMG, plans to rehabilitate ten (10) historic, mixed-use buildings at 1804 Vine, 31 E McMicken, 1812 Vine, 1814 Vine, 1816 Vine, 1822 Vine, 29 E McMicken, 118 Findlay, 1720 Elm, and 116 W Elder in the Over-the-Rhine neighborhood.

The Developer holds title to all parcels for the Findlay Parkside project. The City sold 116 W Elder Street to Nassau Avenue Investments, LLC (another affiliate of the Developer) in 2021 for \$1. The buildings are 97% vacant and contain apartment units and commercial storefronts.

**DEVELOPER INFORMATION**

This project is being developed by Findlay Parkside, LLC, an affiliate of the Developer. The Developer has developed more than \$750 million in real estate, including over 400 historic properties in Ohio. This includes a mix of market rate and affordable residential, as well as commercial real estate. Previous mixed-use projects include Willkommen (OTR), Broadway Square (Pendleton), Paramount Square (Walnut Hills), and Market Square Phases I-III (OTR).

**RECOMMENDATION**

The Administration recommends approval of this Emergency Ordinance. This Ordinance is an emergency in nature because the Developer has an April financial closing deadline, particularly for the New Market Tax Credits.

Attachment: Project Outline

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

# Project Outline

<b><u>Project Description Details</u></b>	<b><u>Explanation</u></b>
Project Name	Findlay Parkside
Street Address	1804 Vine, 31 E McMicken, 1812 Vine, 1814 Vine, 1816 Vine, 1822 Vine, 29 E McMicken, 118 Findlay, 1720 Elm, and 116 W Elder
Property Condition	Ten (10) historic buildings are 97% vacant and contain apartments units and commercial storefronts. Eckerlin Meats currently occupies part of the first floor of 116 W Elder and will remain post-construction. The City sold 116 W Elder Street to Nassau Avenue Investments, LLC (another affiliate of TMG) in 2021 for \$1. Developer holds title to all properties.
Neighborhood	Over-the-Rhine
Incentive Application Process	Commercial CRA – Downtown Streetcar Area (LEED)
Recent or other projects by Developer	Wilkommen, Broadway Square, Paramount Launch, Griffon Apartments, Peebles Apartments
Approval at planning commission/Neighborhood support	Planning Commission N/A Developer has received more than 15 letters of support to-date from area businesses and organizations.
Plan Cincinnati Goals	Achieves the Compete Initiative Area Goal 2 (pages 114-120), Live Initiative Area Goals 2 and 3 (pages 156-177) and Sustain Initiative Area Goal 2 (pages 193-198) of <i>Plan Cincinnati</i> (2012)

Project Images



1804 Vine Street and 31 E McMicken Avenue from Vine Street



1812-1816 Vine Street from Vine Street



1822 Vine Street from Vine Street



1804-1816 Vine Street, 29-31 E McMicken Avenue from E McMicken Avenue



118 Findlay Street, 1720 Elm Street, 116 W Elder Street

<b><u>Incentive Summary Category</u></b>	<b><u>Explanation</u></b>
Abatement Term and amount	15-year, net 52%
Construction Cost & Private investment committed	\$15,710,420 in hard construction costs, \$2,715,200 in acquisition costs, \$7,331,736 in soft costs, and \$2,680,880 in developer fee; Developer will utilize New Market Tax Credits, State and Federal Historic Tax Credits as well as senior debt. Developer is also committing up to \$4,467,681 in sponsor and investor equity, including the entire \$2,680,880 developer fee.
Sq. Footage by Use	16,456 sf – commercial, 31,403 sf – residential (net sf)
Number of units and rental ranges	51 (25 studios, 20 1-BR, 6 2-BR), \$800-\$1,500, the Developer is proposing to keep 51% of the units affordable to households at 80% AMI
Jobs created/retained and payroll (living wage)	Projected to retain 5 FTE at \$150,000 in annual payroll and create 48 FTE positions at \$1,080,000 in annual payroll (avg. of \$23,207.55 annually per job)
“But For”	This project would not proceed without an abatement; the developer would lose money on the project for at least 15 years post-construction with their projected ROI
Cash on Cash Return for developer (Market return between 8-12%, depends on investment risk)	Without Abatement: Year 5: -2% (stabilized vacancy) With Abatement: Year 5: 1% (stabilized vacancy)
LEED or other environmental build	LEED Silver
Neighborhood VTICA	Streetcar VTICA – 15%
Total Public Benefit (Benefits Realized vs Taxes Forgone)	\$1.17 of new CPS/VTICA/Income taxes for each \$1 forgone
Projected Income Tax Revenue	\$431,892
MBE/WBE Goals	SBE Goal of 30%
Transit Access/Walkability	All or part of the Project sits along or within walking distance of the 6, 16, 17, 19, 20, 21, 24, 46, 49, 64, 67, 78 and Metro Plus bus routes and Streetcar route; also located in or within walking distance of Findlay Market, Washington Park, the OTR Vine Street Business District, and the OTR Main Street Business District

Geography	Located in Opportunity Zones and the OTR-West End Neighborhood Revitalization Strategy Area
Historic Preservation/Existing Building Renovation	This project will renovate ten (10) historic buildings, preserving and reactivating them for future use
Public Infrastructure Improvements	N/A

Rent	Affordable to Salary	City Jobs (Min Salary exceeds affordable salary)
<b>\$800.00</b>	\$32,000.00	Health Caseworker, Video Production Specialist, Lifeguard, Pool Monitor, Community Center Director 2
<b>\$1,500.00</b>	\$60,000.00	Permit Technician 3, Industrial Waste Inspector, Law Enforcement Instructor, Building Inspector 1, Optician

AMI	1	2	3	4	5	6	7	8
<b>30%</b>	\$20,100	\$22,950	\$25,800	\$28,650	\$32,470	\$37,190	\$49,910	\$46,360
<b>50%</b>	\$33,450	\$38,200	\$43,000	\$47,750	\$51,600	\$55,400	\$49,250	\$63,050
<b>60%</b>	\$40,140	\$45,840	\$51,600	\$57,300	\$61,920	\$66,480	\$59,100	\$75,660
<b>80%</b>	\$53,520	\$61,120	\$68,800	\$76,400	\$82,560	\$88,640	\$78,800	\$100,880