

June 3, 2020

To: Mayor and Members of City Council

From: Paula Boggs Muething, City Manager *UB F PBM*

202102095

Subject: **LEED CRA TAX EXEMPTION FOR BLAIR LOFTS I, LTD**

Attached is an Emergency Ordinance captioned as follows:

APPROVING AND AUTHORIZING the City Manager to execute a *Community Reinvestment Area Tax Exemption Agreement (LEED or Living Building Challenge)* with Blair Lofts I, LTD. and the Port of Greater Cincinnati Development Authority thereby authorizing a 15-year tax exemption for 100% of the value of improvements made to real property located at 3401 Reading Road and 609 Maple Avenue in the Avondale neighborhood of Cincinnati, in connection with the construction of a new building comprised of approximately 71,057 square feet of residential space, consisting of 64 rental units, which construction 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 construction cost of approximately \$10,022,542.

BACKGROUND/CURRENT CONDITIONS

Blair Lofts I, LTD intends to purchase property from a partner entity and build a four-story, sixty-four (64) unit apartment building located at the corner of Blair Avenue and Reading Road. Specifically, the site is located at 3401 Reading Road in the Avondale neighborhood of Cincinnati. The site formally housed a Catholic Church that has since been demolished and sold to one development partner. In the Spring of 2020, the Development entity was awarded 9% Low-Income Housing Tax Credits (LIHTC) by the Ohio Housing Finance Agency (OHFA) to construct the building. Since then, the Development has been awarded HOME funding from the City of Cincinnati's Notice of Funding Availability (HOME) and a grant from Children's Hospital.

DEVELOPER INFORMATION

Blair Lofts I, LTD is a partnership between Fairfield Homes, Inc., Avondale Development Corporation, and Kingsley and Company. Fairfield Homes Inc. owns over 4,000 affordable housing units throughout the Midwest and brings a wealth of construction and property management experience to the project. Avondale Development Corporation is a non-profit community partner that has led residential and economic development initiatives in Avondale since 2011. Kingsley and Company is a minority-owned commercial real estate investment and development firm with over ten years of experience in the greater Cincinnati region.

PROJECT DESCRIPTION

Blair Lofts I project will consist of the new construction of a four-story, sixty-four (64) units apartment building in the Avondale neighborhood of Cincinnati. The building will be serviced by a single elevator and shall be certified to LEED-Silver standards. The sixty-four units will consist of twenty-two (22) one-bedroom apartments, thirty-one (31) two-bedroom apartments, and eleven (11) three-bedroom apartments. This unit mix will allow a full spectrum of small to large families to live together in quality affordable housing

All sixty-four (64) apartment units will be reserved for households earning between thirty percent (30%) and sixty percent (60%) of the area median income (AMI). Ten (10) units shall be reserved for 30% AMI households, and fifty-four (54) units will be reserved for households earning 60% AMI. At the 30% AMI income targets, monthly rents are projected at \$344 for a one-bedroom, \$405 for a two-bedroom, and \$460 for a three-bedroom. At the 60% AMI income targets, monthly rents are projected at \$775 for a one-bedroom, \$925 for a two-bedroom, and \$1,040 for a three-bedroom.

Total project cost is projected at \$15.2 million, with construction cost at approximately \$10 million. Blair Lofts I will attract \$9.3 million in LIHTC equity, \$4.7 Term Loan from Cedar Rapids Bank & Trust, \$504,947 in Deferred Developer Fee, and a \$100,000 grant from Children's Hospital.

Construction will be completed in 12 months and will support the creation of 300 temporary construction jobs with a total annual payroll of \$5,000,000 and three (3) full-time permanent jobs with a total annual payroll of \$120,000.

Pendleton III Apartments achieves Plan Cincinnati's Live Goal 3 (pages 164-178) by providing a full spectrum of housing options and improving housing quality and affordability.

PROPOSED INCENTIVE

DCED is recommending a 15-year, net 67% CRA tax exemption. The exemption applies only to the increase in improvement value attributed to the renovation.

Pursuant to the Commercial CRA policy established by City Council, this project was deemed undercapitalized. Therefore, the project is subject to financial gap analysis. The project merits a fifteen-year (15 years) next 67% CRA Tax Abatement based on the following criteria.

- Due to the deep affordability requirements set by LIHTC and the City awarded HOME funds.
- Without the CRA tax abatement, cash flow will be significantly reduced, and the project would not support the debt service required to complete the construction.

SUMMARY	
Forgone Public Benefit if Project Does not Proceed	
CPS PILOT (Forgone New Revenue)	(\$921,271)
VTICA (Forgone New Revenue)	\$0
Income Tax (Forgone New Revenue)	(\$122,400)
Total Public Benefit Lost	(\$1,043,671)
Incentive Value	
Annual Net Incentive to Developer	\$124,697
Total Term Incentive to Developer	\$1,870,460
City's Portion of Property Taxes Forgone	\$360,304
Public Benefit	
CPS PILOT	
Annual CPS Pilot	\$61,418
Total Term CPS PILOT	\$921,271
VTICA	
Annual VTICA	\$0
Total Term VTICA	\$0
Income Tax (Max)	\$122,400
Total Public Benefit (CPS PILOT/VTICA /Income Tax)	\$1,043,671
Total Public Benefit ROI	\$0.56
City's ROI	\$0.34

RECOMMENDATION

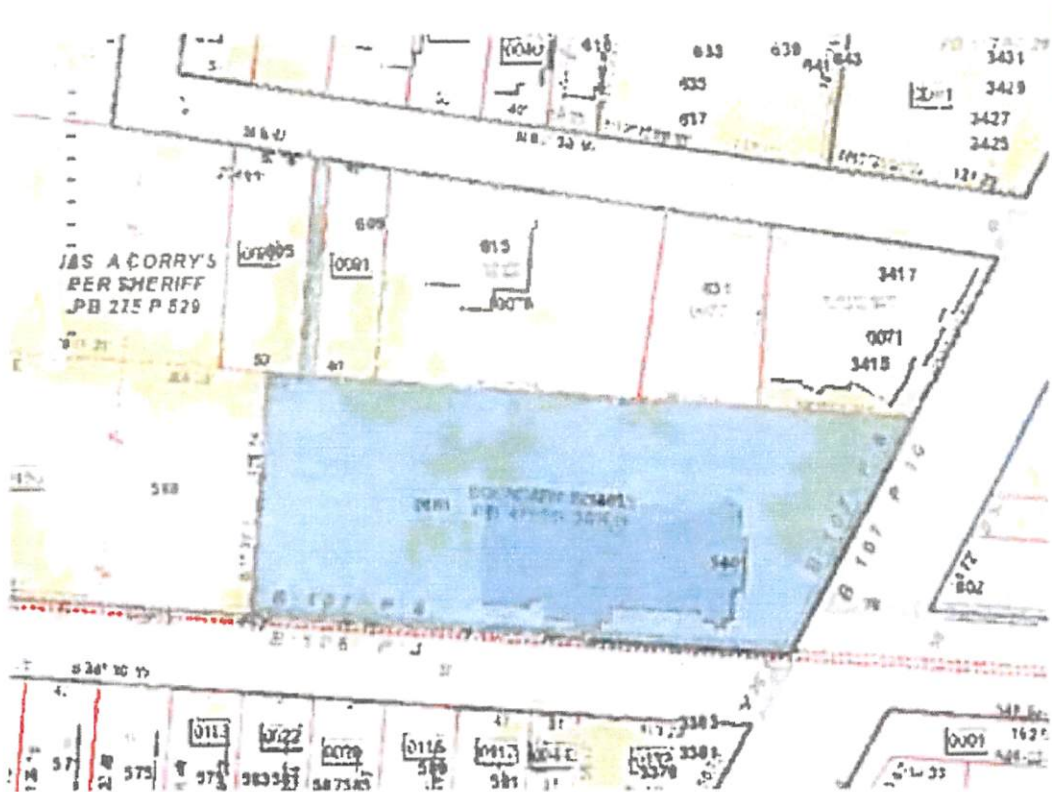
The Administration recommends approval of this Emergency Ordinance.

Attachment: A. Property location and photographs

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

Attachment A: Location and Photographs

Property Location



Property Rendering

