

October 19, 2022

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

**From:** Sheryl M.M. Long, City Manager *sml* 202201924

**Subject:** **Emergency Ordinance – Approving and Authorizing CRA Tax Exemption Agreement with 2378 Park Owner, 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* with 2378 Park Owner, LLC, thereby authorizing a 15-year tax exemption for 100% of the value of improvements made to real property located at 2378 Park Avenue in the Walnut Hills neighborhood of Cincinnati, in connection with the remodeling of an existing building into approximately 26,078 square feet of residential space, consisting of 35 affordable residential rental units, at a total construction cost of approximately \$2,362,838.

### **BACKGROUND/CURRENT CONDITIONS**

2378 Park Avenue, LLC an affiliate of Urban Sites LLC plans to renovate the property located at 2738 Park Avenue in the Walnut Hills Neighborhood. The property has 35 former market-rate units which are being renovated and brought back to the market in line with affordable rents.

### **DEVELOPER INFORMATION**

Urban Sites is a private real estate developer with \$70M invested in the Greater Cincinnati Region. Urban Sites has a portfolio of over 90 commercial spaces (335,000SF) and 515 residential units. Many of these units have been brought to life through historic rehabilitation which has brought many new residents, new businesses, and job creation to the region.

### **PROJECT DESCRIPTION**

The renovation of this existing apartment building will bring 35 affordable units. The project consists of (17) 1-bedroom units that rent at \$911 and (18) 2-bedroom units that rent \$1,090. The total project cost is estimated to be \$3,839,745 with the construction cost estimated to be \$2,362,838. At the proposed rents, the project is affordable to households at 50-60% AMI levels. The project is estimated to take eight months to complete and will support the creation of 20 temporary construction jobs with a total payroll of \$1,250,000.

The proposed project is consistent with *Plan Cincinnati* within the Live Initiative Area’s Goals to “Create a more livable community” (p. 156) and “Provide a full spectrum of housing options and improve housing quality and affordability” (p. 164).

Rent	Affordable to Salary	City Jobs (Min Salary exceeds affordable salary)
\$911.00	\$39,640.00	Laboratory Assistant, Supervising Clerk, Clerk Typist 2,
\$1,090.00	\$43,600.00	Clerk Typist 3, Telecommunication Specialist, Fire Fighter, Paramedic 1

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

**PROPOSED INCENTIVE**

DCED is recommending a 15-year, net 67% CRA tax exemption. This recommendation is based on a commitment from the developer to keep the rents affordable to households at 60% of AMI households for the term of the CRA. The exemption only applies to the increase in improvement value attributed to the construction.

Pursuant to the Commercial CRA policy established by City Council, this project scored 3 points as indicated below. However, based on a commitment from the developer to keep the rents affordable to 60% of AMI households for the term of the CRA, the Department is recommending a 15-year net 67% CRA, consistent with the established City policy for Low-Income Housing Tax Credit projects and merited by the project underwriting.

Tax Abatement:

"But For" Analysis (0-3 points) *	3
LEED (0-6 points)	0
Neighborhood VTICA (1 point for contributions over 1% but less than 15% and 8 points for contributions of 15% or more)	0
<b>TOTAL</b>	<b>3</b>

\* "But For" Analysis Explanation: 3 points were awarded for the following reasons:

- Even with an abatement, the projected return on equity is at 6% for a for-profit developer for the first 15 years following renovation.
- Providing this level of abatement will lower operating costs and help maintain lower rents that will support a lower AMI household.
- Park Avenue committed to keeping the rents affordable to 60% of AMI households for the duration of the 15-year term.

<b>SUMMARY</b>	
<b>Incentive Value</b>	
Annual Net Incentive to Developer	\$29,398
<b>Total Term Incentive to Developer</b>	<b>\$440,965</b>
<b>City's Portion of Property Taxes Forgone</b>	<b>\$84,943</b>
<b>City's TIF District Revenue Forgone (Term)</b>	<b>\$480,455</b>
<b>Public Benefit</b>	
CPS PILOT	
Annual CPS Pilot	\$14,479
<b>Total Term CPS PILOT</b>	<b>\$217,192</b>
VTICA	
Annual VTICA	\$0
<b>Total Term VTICA</b>	<b>\$0</b>
Income Tax (Max)	\$15,000
<b>Total Public Benefit (CPS PILOT/VTICA /Income Tax)</b>	<b>\$232,192</b>
<b>Total Public Benefit ROI*</b>	<b>\$0.53</b>
<b>City's ROI**</b>	<b>\$0.41</b>

\*This figure represents the total dollars returned for public purposes (City/Schools/Other) over the benefit received. Note that projects may be recommended with an ROI of less than 1 if they meet specific policy objectives of the City like creation of new housing.

\*\*This figure represents the total dollars returned for City/VTICA over the City's property taxes forgone including TIF district revenues. Note that projects may be recommended with an ROI of less than 1 if they meet specific policy objectives of the City like creation of new housing.

**PROJECT TEAM & TIMELINE**

The project team (listed below) will make themselves available at the request of the council member(s).

- Assistant City Manager: William Weber
- DCED Director: Markiea Carter
- Project Attorney: Samantha Brandenburg

The anticipated council timeline, which includes two Budget and Finance meetings if necessary is as follows:

- October 19, 2022: Introduction to City Council
- October 24, 2022: Budget and Finance (1)
- October 31, 2022: Budget and Finance (2)
- November 2, 2022: Budget and Finance

**RECOMMENDATION**

The Administration recommends approval of this Emergency Ordinance. This is an Emergency Ordinance so construction pricing can hold stable, and renovation can begin while the weather is still suitable.

Attachment: A. Property location and photographs

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

