

November 30, 2022

To: Mayor and Members of City Council

From: Sheryl M.M. Long, City Manager

SML

202202128

Subject: Emergency Ordinance – Approving and Authorizing CRA Tax Exemption Agreement with PL Race, LLC

Attached is an Emergency Ordinance captioned:

APPROVING AND AUTHORIZING the City Manager to execute a *Community Reinvestment Area Tax Exemption Agreement* with PL Race, LLC, an affiliate of The Model Group, Inc., thereby authorizing a 15-year tax exemption for 100% of the value of improvements made to real property located at 2429 Gilbert Avenue in the Walnut Hills neighborhood of Cincinnati, in connection with the remodeling of an existing building to create approximately 13,000 square feet of office space, at a total construction cost of approximately \$2,456,000.

BACKGROUND/CURRENT CONDITIONS

PL Race, LLC an affiliate of The Model Group, Inc. plans to renovate the property located at 2429 Gilbert Avenue in the Walnut Hills Neighborhood. The three-story building has long been vacant and underutilized. It needs a substantial renovation for it to be a habitable usable space.

DEVELOPER INFORMATION

The Model Group is an integrated property development, construction, and management company with a passion for revitalizing urban neighborhoods. They are recognized for revitalizing vacant & blighted urban blocks into high-quality mixed-use communities and developing high-impact mixed-use and affordable housing projects with non-profit partners and service providers. They have completed projects like the Findlay Market Redevelopment, Walnut Hills Redevelopment, Broadway Square in Pendleton, and Elm & Iron.

PROJECT DESCRIPTION

As a component of a \$28 million project called Paramount Launch, the Race Refrigeration building in Walnut Hills is the proposed renovation of a three-story, property located at 2429 Gilbert Avenue (the "Property") into 13,000 sq. ft of office space. The total project cost is estimated to be \$4.8 million, with the construction cost estimated to be \$2.5 million. The project is estimated to take twelve months to complete and is anticipated to support the creation of 61 temporary construction jobs with an estimated total payroll of \$1.2 million and nine full-time equivalents with an annual payroll of \$374,000. The

developer hopes for construction to commence in January of 2023. The Property will be rehabbed to National Park Service Historic Preservation standards,

Paramount Launch as a whole is a project that will be developed in partnership with the Walnut Hills Redevelopment Foundation to bring new life and vitality back to the Former Kroger store site at 954 E. McMillan that was recently demolished. It will be redeveloped into a new 5-story building on McMillan and includes the renovation of the nearby historic Race Refrigeration and Durner buildings.

The 2429 Gilbert Avenue project is consistent with *Plan Cincinnati* within the Compete Initiative Area's Goal to Pursue new growth and business recruitment efforts in target industries (p. 103) and the Sustain Initiative Area's Goals to "Preserve our Built History." (p. 180).

PROPOSED INCENTIVE

DCED is recommending a net sixty-seven (67%) commercial real estate tax abatement with a term of fifteen (15) years that will be attributable to the improved value generated from the construction.

Pursuant to the Commercial CRA policy established by City Council, the project scored three points as indicated below. However, the project's financial need meets the requirements of an Undercapitalized Project and the Administration recommends a 15-year net 67% CRA Tax Abatement:

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
TOTAL	3

- * *"But For" Analysis Explanation:* three points were awarded for the following reasons:
- Providing this level of abatement will lower operating costs and help maintain lower rents for the Commercial spaces.
 - Note – final developer's return is pending the confirmation and terms of additional funding sources needed to finance the project. Even with an abatement, the projected return on equity is expected to be below market for a for-profit developer for the first 15 years following renovation.

SUMMARY	
Incentive Value	
Annual Net Incentive to Developer	\$28,221
Total Term Incentive to Developer	\$423,308
City's Portion of Property Taxes Forgone (Term)	\$0
City's TIF District Revenue Forgone (Term)	\$461,216
Public Benefit	
CPS PILOT	
Annual CPS Pilot	\$13,900
Total Term CPS PILOT	\$208,495
VTICA	
Annual VTICA	\$0
Total Term VTICA	\$0
Income Tax (Max)	\$130,452
Total Public Benefit (CPS PILOT/VTICA /Income Tax)	\$338,947
Total Public Benefit ROI*	\$0.80
City's ROI*	\$0.73

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: Kaitlyn Geiger

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

- November 30, 2022: Introduction to City Council
- December 5, 2022: Budget and Finance (1)
- December 12, 2022: Budget and Finance (2)
- December 15, 2022: City Council for Final Approval

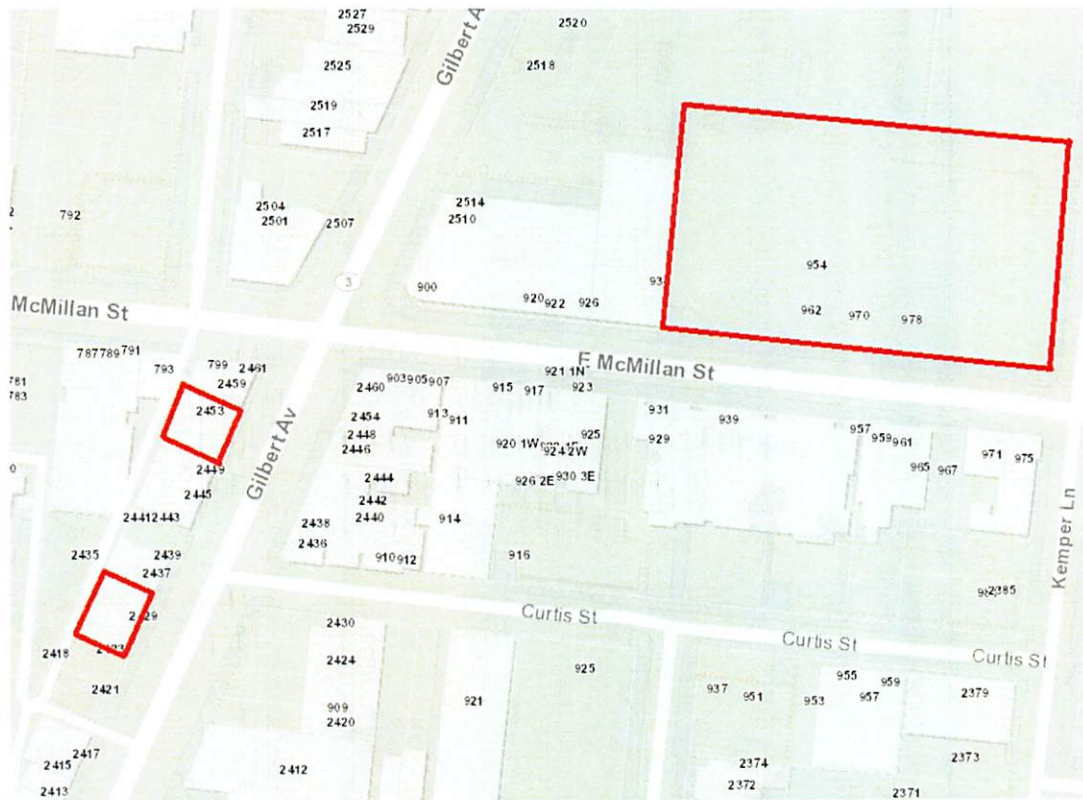
RECOMMENDATION

The Administration recommends approval of this Emergency Ordinance. This is an Emergency Ordinance so the project can meet an anticipated mid-December financial closing.

Attachment: A. Property location and photographs

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

Attachment A: Location and Photographs



Property Location



2429 Gilbert - Rehab