

June 3, 2021

To: Mayor and Members of City Council 202102094

From: Paula Boggs Muething, City Manager

Subject: **CRA TAX EXEMPTION AGREEMENT FOR 1623 PLEASANT STREET, LLC**

Attached is an Emergency Ordinance captioned as follows:

APPROVING AND AUTHORIZING the City Manager to execute a *Community Reinvestment Area Tax Exemption Agreement* with 1623 Pleasant Street, LLC, thereby authorizing an 8-year tax exemption for 100% of the value of improvements made to real property located at 1623 Pleasant Street in the Over-the-Rhine neighborhood of Cincinnati, in connection with the remodeling of the existing building to create approximately 3,530 square feet of residential space consisting of 8 residential units, at a total construction cost of approximately \$602,544.

BACKGROUND/CURRENT CONDITIONS

1623 Pleasant Street, LLC owns and intends to renovate and build an addition to the residential property located at 1623 Pleasant Street in the Over-the-Rhine neighborhood, just north of Liberty Street, between Elm and Race Streets. The property has long been vacant and is a former City-owned property. DCED solicited an RFP for the sale of the property in June 2019 and recommended to award the property to Kunst Development for the appraised market value of \$59,500. City Council approved the sale of this property on September 2, 2020 through Ordinance 290-2020. The project was recently approved at the Historic Conservation Board meeting on May 17, 2021. Kunst has now completed their pre-construction due diligence and is ready commence their renovation of the building into eight (8) market-rate affordable one-bedroom apartments.

DEVELOPER INFORMATION

1623 Pleasant Street LLC is a limited liability corporation operated by Kunst Development, a property developer and general contractor owned by John Blatchford. Kunst has development experience in the Over-the-Rhine Historic District and extensive knowledge of historic tax credits. The developer has successfully completed several similar historic rehab projects in Over-the-Rhine, including 205 W. McMicken, 207 W. McMicken, and 1667 Hamer Street.

PROJECT DESCRIPTION

The developer is proposing a gut renovation and small addition to the four-story, 3530 sq foot historic property located at 1623 Pleasant Street to include eight (8) market-rate one-bedroom, one-bathroom residential rental units. Rents will range between \$920-\$980 per month making them naturally affordable to households around 60% AMI. The project was awarded state and federal historic tax credits and renovations will be done with preservation in mind, repairing and restoring historic woodwork, doors, windows, layout, and masonry. A small addition will be added to the rear of the building to add an additional bedroom to floors 2-4. Total project cost is estimated to be \$803,653, with construction cost estimated to be \$602,544. The project is estimated to take twenty-four months to complete and will support the creation of 18 temporary construction jobs with a total payroll of \$500,000. One new permanent part time job will be created with an estimated annual payroll of \$18,000.

This project achieves Plan Cincinnati's Live Goal 3 (pages 164-178) by providing a full spectrum of housing options and improving housing quality and affordability. Additionally, the project accomplishes Plan Cincinnati's Live Goal 2 (pages 156-163) of creating a more livable community by activating property that has long been vacant in the northern portion of the Over-the-Rhine neighborhood. The project has not received any neighborhood opposition and received approval by the Historic Conservation Board on May 17, 2021. The developer is looking to commence construction this summer.

PROPOSED INCENTIVE

DCED is recommending an eight-year net 52% CRA tax exemption. The exemption applies only to the increase in improvement value attributed to the construction.

Pursuant to the Commercial CRA policy established by City Council, this project is located in the Streetcar VTICA Area and is therefore subject to analysis based on project underwriting, VTICA contribution, and job creation to determine abatement terms. The project merits an eight-year net 52% CRA Tax Abatement based on the following criteria:

- Net 15% Streetcar VTICA contribution totals to \$9,765
- Project will create 18 temporary construction jobs will a total payroll of \$250,000
- Project provides a \$2.54 return for every dollar of City investment

SUMMARY	
Incentive Value	
Annual Net Abatement (Savings to Developer)	\$4,231
Total Term Net Abatement (Savings to Developer)	\$33,852
City's Portion of Property Taxes Forgone	\$8,402
Public Benefit	
CPS PILOT	
Annual CPS Pilot	\$2,685
Total Term CPS PILOT	\$21,483
VTICA	
Annual VTICA	\$1,221
Total Term VTICA PILOT	\$9,765
Income Tax (Max)	\$11,592
New Permanent Jobs	0.5
Total Public Benefit (CPS PILOT/VTICA PILOT/Income Tax)	\$42,840
Total Public Benefit ROI	\$1.27
City's ROI	\$2.54

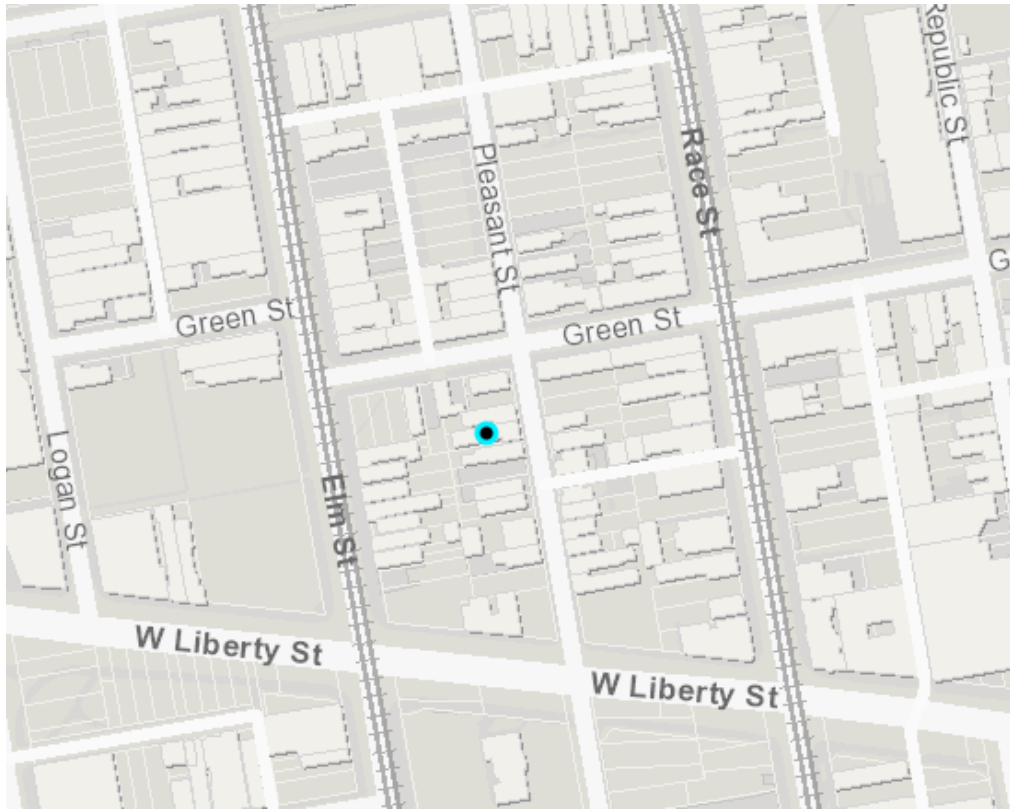
RECOMMENDATION

The Administration recommends approval of this Emergency Ordinance.

Attachment: A. Property location and photographs

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

Attachment A: Location and Photographs



Property Location



1623 Pleasant Street