

March 26, 2024

To: Members of the Equitable Growth and Housing Committee

From: Sheryl M.M. Long, City Manager

202400917

Subject: Report on Financing Options for The Mingo

This report is in response to a request made during the April 12, 2024 Equitable Growth and Housing Committee that the Administration report on financing options for the proposed “Planned Development District No. 98, “The Mingo” project in Evanston (Ref. Doc. #202400567).

OVERVIEW

As described in the Zoning Change Request for 3060 Durrell Avenue, Kingsley + Co. is the developer for The Mingo (“the developer”), an innovative mixed-income housing project situated at 3060 Durrell Avenue in the Evanston neighborhood. Spanning across a 4.513-acre site, the project aims to transform the area by revitalizing the former Christ Temple Full Gospel Baptist Church and ballfield, which will be cleared before construction commences. The proposed development includes:

240 mixed-income housing units, comprising studios, one-bedroom, two-bedroom, and three-bedroom apartments, with the breakdown as follows:

Studios: 24 units

1 Bedroom: 119 units

2 Bedroom: 79 units

3 Bedroom: 18 units

On-site parking facilities situated underneath a podium for residents' convenience.

A host of amenities designed to enhance residents' quality of life, such as a pool, rooftop spaces, dog runs, and dedicated business/co-working areas.

DCED ENGAGEMENT

Following the Equitable Growth and Housing Committee’s decision not to approve the designation of the property as a local historic landmark, the Department of Community and Economic Development (DCED) briefly engaged with the developer. Given the absence of resources identified for demolition and the heightened sensitivity surrounding the building, DCED notified the Developer that the City Administration would not provide funding or incentives for the demolition of the structure. Consistent with our approach to all development projects, we advised the developer to explore alternative sources of public and private funding before approaching the City for assistance, particularly if redevelopment of the building remains a viable option after demolition.

DCED FINANCIAL INCENTIVES

The City of Cincinnati provides economic incentives to housing developers to spur investment, bolster economic growth, and meet housing demands. These programs underscore our dedication to cultivating vibrant, inclusive neighborhoods and advancing sustainable development practices. Developers seeking financial incentives from the City of Cincinnati must complete a financial assistance application. This application is crucial for DCED to evaluate and underwrite projects effectively. In the absence of detailed financial information for this project, the following incentives would be available for pursuit:

Community Reinvestment Area (CRA) Tax Abatement

The City of Cincinnati offers a Community Reinvestment Area (CRA) abatement program to companies and developers building or renovating a residential property of 5 or more units or a commercial, industrial, or mixed-use facility. CRA Tax exemptions reduce the operating expenses of a development project, thereby lowering the risk of the development and increasing the initial development investment beyond what would have been feasible without a tax exemption. Commercial projects are eligible for a maximum net tax exemption of up to 67% for up to 15 years. To be considered for a CRA Tax Exemption, a developer must apply to the City before beginning any construction activities. DCED will then review the application and provide a recommendation to City Council for a tax exemption at a level supported by internal underwriting, City policy, and City and state law. Notwithstanding this recommendation, City Council has the power to disapprove or approve the exemption at any amount or duration in accordance with City and State law. Not all developments will receive an exemption or the maximum possible exemption:

Project TIF

Project TIF allows municipalities to capture the increased property tax revenue that results from development or redevelopment in a specific area and use that revenue to fund improvements within that same area. Pursuant to state law, the City can exempt a percentage of the increase in assessed value of a property from real property taxes. Instead of those paying taxes, the owner pays service payments, also known as payments in lieu of taxes (PILOTs) in the same amount. The City can then use those PILOTs for a number of redevelopment purposes like public infrastructure improvements including environmental remediation, land acquisition, and demolition as well as urban redevelopment activities. TIFs can be for up to 30 years and for up to 67% net. TIF revenues can be utilized for a bond issuance or private financing for reimbursement of eligible improvements associated with the project.

Notice of Funding Availability (NOFA)

The Notice of Funding Availability (NOFA) loan program offers residential developers diverse financing opportunities for housing projects aimed at catalyzing positive transformations within our communities. Aligned with the objectives outlined in Plan Cincinnati, NOFA aims to bolster the provision of a comprehensive range of healthy housing options while enhancing affordability and quality.

Serving as a public gap financing mechanism, NOFA effectively harnesses private investment to foster the development of high-quality housing across the city. Loans under the NOFA program are allocated through a competitive application process, wherein DCED staff assess and endorse projects based on their alignment with the city's housing policy objectives.

Funding provided through the NOFA process can vary. Through this application process, we are able to attract various funding opportunities to awarded NOFA projects that consist of City, Federal (HOME and CDBG) and TIF resources.

Project Comparison

With only limited financial details available on the project proposal, DCED has compared this proposal to prior projects where the City provided financial support to surmise what financial support from the City the developer may seek in the future. Since this project is the new construction of 240 units outside of the Central Business District (CBD), similar projects were limited to projects involving new construction of at least 50 units outside of the CBD.

- Graphite Oakley (2020) – Status Under Construction. Graphite Oakley is located at 2980 Disney Street in the Oakley neighborhood of Cincinnati. It consists of the construction of five new buildings with enclosed parking on the first floor, consisting of approximately 564 parking spaces, and approximately 360,828 square feet of residential rental space on the upper floors, consisting of approximately 316 apartments at a total construction cost of approximately \$35,569,369. The City supported Graphite Oakley with a 12 year, net 52% CRA tax abatement
- Lester & Montgomery (2022) – Status: Under Construction. Lester and Montgomery Apartments is located at 5984-5988 Lester Road and 6006-6026 Montgomery Road in the Pleasant Ridge neighborhood of Cincinnati. It consists of the construction of one building consisting of 82 dwelling units, and approximately 6,013 square feet of commercial space at a total construction cost of approximately \$23,000,000. The City assisted Lester & Montgomery with a 15-year, net 67% CRA tax abatement and funded the acquisition of the property at a cost of \$950,000 through Pleasant Ridge Community Urban Redevelopment Corporation.
- Paramount Launch (2022) – Status: Under Construction. Paramount Launch is located at 954 E McMillan, 2458 Gilbert and 2429 Gilbert in the Walnut Hills neighborhood of Cincinnati. It consists of the construction of one new five story building and renovation of two historic buildings consisting of 56 residential units, 6790 square feet of commercial space and 23,000 square feet of office space at a total construction cost of approximately \$20,000,000. The City assisted Paramount Launch with a 15-year, net 67% CRA tax abatement, a \$900,000 forgivable loan through the Affordable Housing Leveraged Fund managed by CDF and the City funded the Walnut Hills Redevelopment Foundation to purchase the underlying former Kroger store (building and loan) at a total cost of \$1,300,000.

Based on the limited project information available and comparison with other similar neighborhood projects involving new construction, DCED anticipates the Developer will minimally seek a property tax-based incentive through either the Commercial CRA program (15-year net 52%) or a Project TIF incentive as a necessary inducement to

proceed with the proposed investment. Developer may also seek assistance from the Building Demolition and Site Revitalization Program from the Ohio Department of Development for the demolition of the former Hoffman School if resources are made available for application in a future funding round. The developer has not sought this assistance in the current state funding round, but this form of assistance has been sought by other similar projects under development now.

CONCLUSION

It is reasonable to assume that a project of this size in today's market would benefit from City financial incentives. Similar projects typically encounter financing gaps that can be supported by any of the programs outlined in this report. While various factors come into play when underwriting a project for financial incentives, our team is committed to carefully assessing each project's potential to maximize the benefits of our incentive programs and promote sustainable development within our community.

DCED has not received an application for financial assistance from the Developer. The analysis presented herein is based on information provided for the zone change which is insufficient for evaluating the need for financial incentives, as well as our understanding of market standards and past projects of similar scale.

As a best practice, DCED recommends that developers seeking financial incentives begin that process on a similar timeframe to seeking zoning relief as that allows these independent processes to proceed on similar timeframes and construction to then commence at the earliest possible time thereafter. Independent of City Council's action on this developer's request for zoning relief, DCED staff will reach out to the Developer to ensure the Developer has awareness of the incentives listed above and the associated applications and timelines. Should the developer wish to pursue any of the assistance options mentioned, DCED will reiterate that the City has previously indicated it will not provide funding or incentives for the demolition of the structure as part of any incentive package consideration.

This report is for informational purposes only and no action is required on this report.

Attachment A: Zone Change Request for 3060 Durrell

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