

March 8, 2023

To: Mayor and Members of City Council

From: Sheryl M.M. Long, City Manager

202300766

Subject: Emergency Ordinance – Approving And Authorizing CRA Tax Exemption Agreement with Moerlein Property LLC

Attached is an Emergency Ordinance captioned:

APPROVING AND AUTHORIZING the City Manager to execute a *Community Reinvestment Area Tax Exemption Agreement* with Moerlein Properties LLC, thereby authorizing a 12-year tax exemption for 100% of the value of improvements made to real property located at 115-125 W. McMillan Avenue and 124-142 Lyon Street in the CUF neighborhood of Cincinnati, in connection with the construction of a mixed-use development comprised of a parking garage, approximately 5,000 square feet of commercial space, and approximately 263,000 square feet of residential space, consisting of approximately 103 units, at a total construction cost of approximately \$33,000,000

BACKGROUND/CURRENT CONDITIONS

Moerlein Properties, LLC plans to construct a new building on the properties located at 115-125 W McMillan Avenue and 124-142 Lyon Street in the CUF neighborhood. The property currently consists of six vacant multifamily buildings and two surface parking lots.

DEVELOPER INFORMATION

Moerlein Properties, LLC is affiliated with Hallmark Communities. Hallmark Communities primarily develops low and mid-rise multi-family residential and student housing communities. They have experience with the construction of student housing throughout the region.

RECOMMENDATION

The Administration recommends approval of this Emergency Ordinance. This is an Emergency Ordinance because the developer is on a tight construction schedule to have the project completed by the start of the 2024 Fall semester.

Attachment: Project Outline

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

Project Outline

<u>Project Description Details</u>	<u>Explanation</u>
Project Name	Gateway Lofts CUF
Street Address	115-125 W McMillan Ave & 124-142 Lyon St
Property Condition	Six vacant multi-family buildings; Developer will acquire the buildings in 2023 upon closing of financing, in advance of CRA execution
Neighborhood	CUF
Incentive Application Process	Commercial CRA – Neighborhood VTICA (Non-LEED)
Recent or other projects by Developer	University Edge, Summit at Choates Run (Athens, OH), Marina Lofts (Toledo, OH) Gateway Lofts (Centerville, OH)
Approval at planning commission/Neighborhood support	Planning Commission N/A. Received letter of support from Clifton Heights CURC, CUF Neighborhood Association, and Clifton Heights Business Association.
Plan Cincinnati Goals	Achieves the Compete Initiative Area Goal 2 (pages 114-120) and Live Initiative Area Goal 2 and 3 (pages 157-178) and of Plan Cincinnati

Project Image



<u>Incentive Summary Category</u>	<u>Explanation</u>
Abatement Term and amount	12-year, net 52%
Construction Cost & Private investment committed	Estimated \$33 million construction cost at with an approximate \$50 million total development cost of which approximately \$40 million is proposed to be privately financed with the balance anticipated to coming from developer equity.
Sq. Footage by Use	263,000 sf – residential 5,000 sf - commercial
Number of units and rental ranges	103 residential units at market rate rents: 1 BR / 1 BA \$1,100 2 BR / 2 BA \$2,000 3 BR / 3 BA \$2,850 4 BR / 4 BA \$3,600 5 BR / 5 BA \$4,500
Jobs created/retained and payroll (living wage)	Projected to create 4 FTE positions at \$300,000 in annual payroll (avg. of \$75,000 annually per job)
“But For”	This project as presented would not receive a market rate of return even with the tax abatement. The tax abatement allows for a better rate of return.
Cash on Cash Return for developer (Market return between 8-12%, depends on investment risk)	Without Abatement: Year 5: estimated at 3% (stabilized vacancy) With Abatement: Year 5: estimated at 5% (stabilized vacancy)
LEED or other environmental build	Non-LEED
Neighborhood VTICA	Neighborhood VTICA – 15%
Total Public Benefit (Benefits Realized vs Taxes Forgone)	Estimated \$1.02 of new CPS/VTICA/Income taxes for each \$1 forgone
Projected Income Tax Revenue	\$368,325
MBE/WBE Goals	17% MBE & 10% WBE
Transit Access/Walkability	Sits along Metro Bus Route 31 and is only a block away from Routes 46 and 78; also sits in the Clifton Heights Business District
Geography	Located one block south of the University of Cincinnati campus boundary.
Historic Preservation/Existing Building Renovation	N/A
Public Infrastructure Improvements	N/A

Rent	Affordable to Salary	City Jobs (Min Salary exceeds affordable salary)
\$1,100	\$44,000	Firefighter/Paramedic 1; Fleet Services Supervisor; Parking Services Supervisor; Casework Associate; Diesel Mechanic; Housing Services Coordinator; Pool Manager; Surveyor
\$2,000	\$80,000	Nursing Supervisor; Senior Building Plans Examiner; Supervisor of Urban Forestry; Engineering Geologist; Risk Manager; City Purchasing Agent; Paramedic Training Officer
\$2,850	\$114,000	Mayor; Fire District Chief; Police Captain; Sewers Director; Retirement Director; Finance Director; Law Chief of Staff
\$3,600	\$144,000	Assistant Police Chief; Public Health Practitioner; Dentist; Director of Water and Sewers
\$4,500	\$180,000	Exceeds salary of Most Department Directors

** DCED anticipates that all residential units within this project will be rented to university students and the rent will likely exceed 30% of their income as a student. Multiple students will likely split the larger units but the chart above assumes affordability to a family and the associated job it would be affordable to for the entire unit.*

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