

March 8, 2023

To: Mayor and Members of City Council

From: Sheryl M.M. Long, City Manager 

202300764

Subject: Emergency Ordinance – Authorizing a Property Sale and Development Agreement with 8K Development Company, LLC

Attached is an Emergency Ordinance captioned:

AUTHORIZING the City Manager to execute a *Property Sale and Development Agreement* with 8K Development Company, LLC for the sale of the upper levels of the City-owned building located at 129-131 W. Elder Street in the Over-the-Rhine neighborhood for residential redevelopment.

BACKGROUND/CURRENT CONDITIONS

The City owns two adjoining four-story buildings located at 129-131 W. Elder Street in Over-the-Rhine. The properties are currently subject to the City's lease and management agreement with the Corporation for Findlay Market, with the ground floor of both buildings being occupied by commercial tenants, *The Arepa Place*, and *Maverick Chocolate*. The upper floors of the two building currently sit vacant and are in need of substantial renovation. An appraisal of the upper floors of the properties conducted by the City's Real Estate Services Division determined their fair market value to be \$100,000.

The Department of Community and Economic Development (DCED) released a Request for Proposals (RFP) for the sale and redevelopment of the upper floors of the two buildings in February 2022. The RFP received three (3) responses from the following respondents: 8K Development Company, LLC, A.M. Titan Group, and True Blue Properties. A cross-departmental committee reviewed and evaluated the 3 proposals and recommended the sale of property be awarded to 8K Development Company, LLC in June 2022.

DEVELOPER INFORMATION

8K was founded in 2009. Starting with the gut renovation of one dilapidated house on Langland Street in Northside, 8K has grown into an integrated construction and property development company. The renaissance in Cincinnati's core neighborhoods has led to expertise across a broad spectrum of development and construction services such as comprehensive historic renovations, commercial buildouts, and ground up construction. In 2016, the organization was reconfigured into two companies, 8K Development Co. and 8K Construction Co. Since the reorganization, 8K has completed over 30,000 sf of residential renovation and over 15,000 sf of commercial build-out working primarily in Northside, Over-the-Rhine, and Walnut Hills.

RECOMMENDATION

DCED is recommending a sale of the upper floors of 129-131 W. Elder Street to 8K Development Company, LLC at the offer price of \$1.00, which is below the appraised fair market value of \$100,000. The City will retain ownership of the first floor of the two buildings and continue a leasing and management relationship with Corporation For Findlay Market for these spaces. DCED is also recommending a 15-year, net 67% Commercial CRA tax abatement on the improved value property with the potential for a 10-year historic extension, the ordinance for which has been introduced in tandem with this ordinance.

DCED's recommendation is based on the following reasons:

- 8K Development Company, LLC has presented the most advantageous proposal for the redevelopment of the upper portion of the property.
- The proposal made by the Developer will return the upper floors of the properties back into productive use by renovating the vacant space into residential units.
- The proposal will create ten (10) units, with six (6) units being affordable to households making between fifty (50%) and sixty (60%) percent of the area median income, and the remaining four (4) being market rate units.
- The proposal creates mixed income housing and will bring more residents and foot traffic to the Findlay Market area, which will help to support the Market and small businesses in the area.

The Administration recommends approval of this Emergency Ordinance so that the Developer can close on the properties, meet their historic tax credit application deadline, and begin construction on the project as soon as possible.

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 | 129-131 W. Elder Street |
| Street Address | 129-131 W. Elder Street |
| Property Condition | Two historic buildings that sit in Findlay Market; ground floor of 129 W. Elder St. is currently occupied by The Arepa Place and ground floor of 131 W. Elder St. is currently occupied by Maverick Chocolate; the upper floors are vacant and in disrepair |
| Neighborhood | Over-the-Rhine |
| Incentive Application Process | Request for Proposals and Commercial CRA – Downtown Streetcar Area |
| Recent or other projects by Developer | 1714 Vine Street, KeyMark Phase I & II |
| Approval at Planning Commission/Neighborhood support | <ul style="list-style-type: none"> - Approval of sale by City Planning Commission on 9/16/2022 - Public engagement meeting held with OTR stakeholders, the Developer and City Planning on 9/6/2022 - Written letters of support from OTRCC and CFFM |
| Plan Cincinnati Goals | Achieves the Compete Initiative Area Goal 2 (pages 114-120), Live Area goal 3 by (pages 164-178), and Sustain Initiative Area Goal 2 (pages 193-198) |

Project Image



| <u>Incentive Summary Category</u> | <u>Explanation</u> |
|---|---|
| Proposed Incentive | \$1.00 property sale to 8K Development Company, LLC |
| Additional Incentives | 15-year, net 67% Commercial CRA tax abatement, with the possibility for 10-year historic extension (at the discretion of Council) |
| Construction Cost & Private investment committed | <p>Project Costs</p> <ul style="list-style-type: none"> - \$1,056,840 in total project costs (\$880,600 in hard construction costs) <p>Financing Commitments</p> <ul style="list-style-type: none"> - \$191,840 in Developer equity - \$650,000 permanent loan from North Side Bank - \$215,000 in State Historic Tax Credit Equity |
| Sq. Footage by Use | 4,680 sf - residential |
| Number of units and rental ranges | <p>10 one-bedroom units</p> <ul style="list-style-type: none"> - 3 affordable to 50% AMI (\$650/month) - 3 affordable to 60% AMI (\$750/month) - 4 at market rate (\$900/month) |
| Jobs created/retained and payroll (living wage) | This project will not create any FTE positions |
| "But For" | The project, as presented with income restricted units, would not proceed without the proposed incentive package due to the Developer not receiving adequate returns until after Year 7. |
| Cash on Cash Return for developer (Market return between 8-12%, depends on investment risk) | <p>Without Abatement (Year 5): 6%</p> <p>With Abatement (Year 5): 8%</p> |
| LEED or other environmental build | Non-LEED |
| Neighborhood VTICA | No VTICA contribution |
| Total Public Benefit (Benefits Realized vs Taxes Forgone) | \$2.56 of new CPS/Income taxes for each \$1 forgone |
| Projected Income Tax Revenue | \$6,750 |
| MBE/WBE Goals | SBE Goal of 30% |
| Transit Access/Walkability | The project is adjacent to Findlay Market-Elm, Findlay Market-Race, and Brewery District Streetcar stops; the project also sits along the 21, 64, 46, and 78 Metro bus routes |

| | |
|--|--|
| Geography | The project sits in an Opportunity Zone and the OTR-West End NRSA |
| Historic Preservation/Existing Building Renovation | This project will renovate the upper floors of two historic buildings, preserving and reactivating them for future use |
| Public Infrastructure Improvements | N/A |

| Rent | Affordable to Salary | City Jobs (Min Salary exceeds affordable salary) |
|----------|----------------------|--|
| \$650.00 | \$26,000.00 | Lifeguard, Laboratory Technician (Part-Time), Breast Feeding Peer Counselor (Part-Time), Parks/Recreation Program Leader (Part-Time) |
| \$900.00 | \$36,000.00 | Card Punch Operator, Custodian, Municipal Worker, Recreation Specialist (Part-Time) |

| 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 |