

June 16, 2020

To: Mayor and Members of City Council 202102205
From: Paula Boggs Muething, City Manager
Subject: **COMMERCIAL CRA TAX EXEMPTION FOR CURTIS STREET INVESTMENTS, 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 Curtis Street Investments, LLC, thereby authorizing a 15-year tax exemption for 100% of the value of improvements made to real property located at 921-925 Curtis Street and 2363 St. James Avenue in the Walnut Hills neighborhood of Cincinnati, in connection with the remodeling of an existing building to create approximately 20,500 square feet of commercial office space and approximately 10,500 square feet of commercial warehouse space, at a total construction cost of approximately \$2,315,000.

BACKGROUND/CURRENT CONDITIONS

The project is located at 921 Curtis Street in the Walnut Hills neighborhood (“Property”). The Property includes a vacant industrial building and adjacent vacant lot. A portion of the Property was previously held by the Hamilton County Land Reutilization Corporation (HCLRC). After an RFP, HCLRC awarded the development rights to Curtis Street Investments, LLC (“Developer”). The Developer subsequently submitted a request for financial assistance to the City.

DEVELOPER INFORMATION

Curtis Street Investments, LLC is a partnership affiliated with Sanders Development Group and other investors. Sanders Development Group is owned and led by Robert Sanders. Another key member of the development team is Terrex Development and Construction.

The office component of the project has been leased to one of the region's largest minority-owned companies and also one of the largest construction companies, TriVersity Construction, which will be relocating its offices from Norwood.

PROJECT DESCRIPTION

This project will result in the rehabilitation of an approximately 31,000 square foot commercial building. The building will include 20,500 square feet of office space that will be occupied by TriVersity Construction, as well as 10,500 square feet of warehouse space that the Developer will lease to a to-be-determined tenant. The cost of construction is estimated to be \$2.3 million and the total project cost is estimated be \$4.1 million. The project is projected to take 12 months to complete.

As a result of the project, the Developer commits to the relocation to Cincinnati of 87 permanent, full-time jobs with approximately \$7,000,000 in annual payroll, as well as the creation of 6 new permanent, full-time jobs with \$500,000 in annual payroll, for a total of 93 net new jobs and \$7,500,000 net new annual payroll. The project will also generate 25 temporary construction jobs with \$1,350,000 in one-time payroll.

The project is in accordance with the "Sustain" goal to "Preserve our natural and built environment" and strategy to "Preserve our built history" as described on pp. 193-197 of Plan Cincinnati. The project is also consistent with the "Compete" emphasis on assisting with the expansion and relocation of growing, existing businesses, as described on p. 104.

PROPOSED INCENTIVE

DCED is recommending a net 52% commercial tax abatement for a 15-year term, including a 15% neighborhood VTICA contribution. DCED considers the project to be an Undercapitalized Project pursuant to City Council's Commercial CRA policy for neighborhoods.

The significant expense involved in the repurposing of an older, vacant building, in addition to the rapidly rising costs of labor and construction materials, leads to very limited return on investment, meaning that the project is only financially feasible with a tax abatement in place.

In keeping with the requirements of the Undercapitalized Project designation, the project provides multiple public benefits including the elimination of blight/vacancy, the creation of jobs, and contribution to a neighborhood VTICA to benefit the Walnut Hills neighborhood and affordable housing.

SUMMARY	
Forgone Public Benefit if Project Does not Proceed	
CPS PILOT (Forgone New Revenue)	(\$212,795)
VTICA (Forgone New Revenue)	(\$96,725)
Income Tax (Forgone New Revenue)	(\$2,049,300)
Total Public Benefit Lost	(\$2,358,820)
Incentive Value	
Annual Net Incentive to Developer	\$22,354
Total Term Incentive to Developer	\$335,313
City's Portion of Property Taxes Forgone	\$83,223
Public Benefit	
CPS PILOT	
Annual CPS Pilot	\$14,186
Total Term CPS PILOT	\$212,795
VTICA	
Annual VTICA	\$6,448
Total Term VTICA	\$96,725
Income Tax (Max)	\$2,049,300
Total Public Benefit (CPS PILOT/VTICA /Income Tax)	\$2,358,820
Total Public Benefit ROI*	\$7.03
City's ROI**	\$25.79

*This figure represents the total dollars returned for public purposes (City/Schools/Other) over the benefit received

**This figure represents the total dollars returned for City/VTICA over the City's property taxes forgone

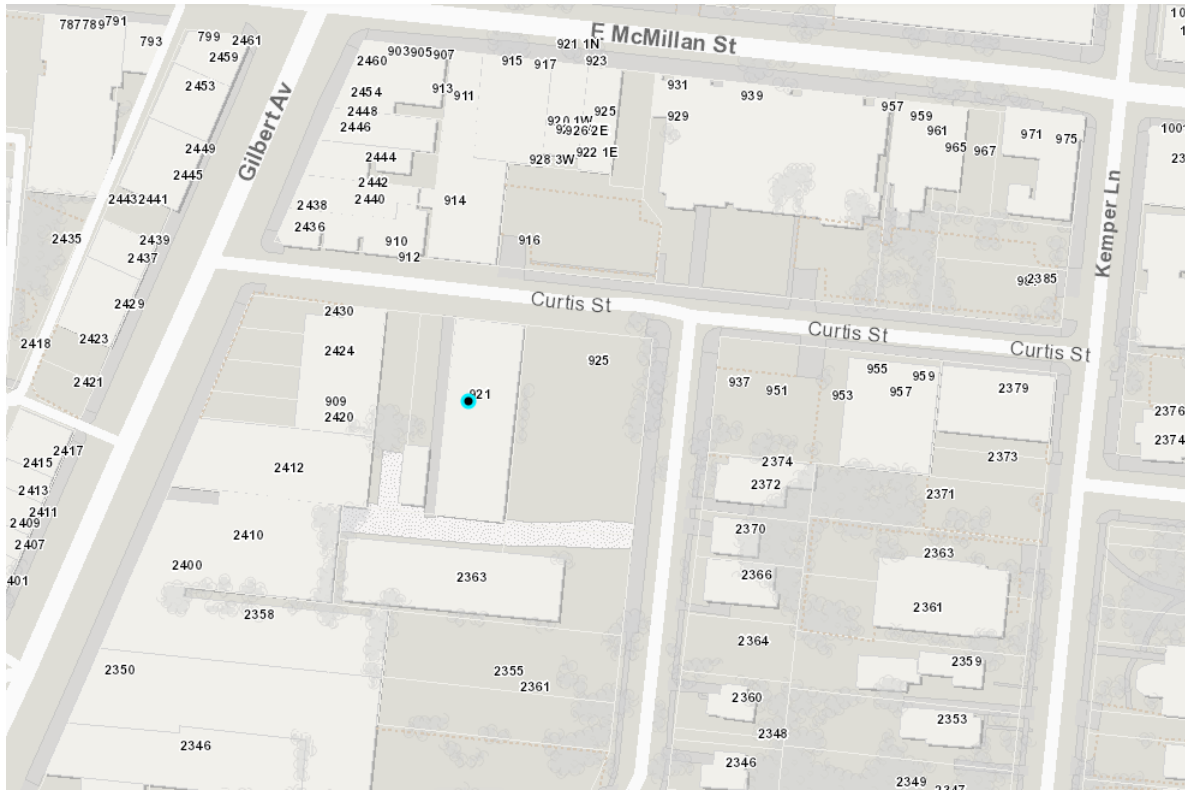
RECOMMENDATION

The Administration recommends approval of this Emergency Ordinance.

Attachment: A. Property location and photographs

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

Attachment A: Location and Photographs



Property Location: 921, 925 Curtis Street and 2363 St. James Avenue



Current conditions: 921, 925 Curtis Street and 2363 St. James Avenue