

February 18, 2021

To: Mayor and Members of City Council 202100677

From: Paula Boggs Muething, City Manager *UB for PBM*

Subject: **COMMUNITY REINVESTMENT AREA TAX EXEMPTION
AGREEMENT FOR 119 E. MCMICKEN 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 119 E. McMicken LLC, an affiliate of Northcrown Property LLC, thereby authorizing a 15-year tax exemption for 100% of the value of improvements made to real property located at 119 E. McMicken Avenue in the Over-The-Rhine neighborhood of Cincinnati, in connection with the remodeling of the existing building into approximately 2,218 square feet of commercial retail space, and approximately 5,120 square feet of residential space consisting of 8 apartments, at a total remodeling cost of approximately \$822,500.

BACKGROUND/CURRENT CONDITIONS

This property is a multi-story vacant building in the Over-the-Rhine neighborhood of Cincinnati. It is within the OTR Historic District. The property is within walking distance to Grant Park. The Developer submitted a CRA application to DCED requesting assistance in the redevelopment of this property.

DEVELOPER INFORMATION

119 E. McMicken LLC is an entity affiliate of Northcrown Property LLC, a neighborhood developer, who primarily redevelops vacant buildings in the Over the Rhine neighborhood surrounding Grant Park. In the past, they have stabilized the historic Crown Brewery Building located at 131 E. McMicken and have multiple projects underway north along E. McMicken.

PROJECT DESCRIPTION

Once completed, this project will consist of eight apartment units. The ground floor of this building will also have 2,218 square feet of commercial space. In connection with this project, it is estimated that 30 temporary construction jobs are created at a total annual payroll of \$1,200,000 and 12 full-time equivalent employees will be created at a total annual payroll of \$362,000.

This project is consistent with several of Plan Cincinnati's goals including the City's goal to remain competitive economically, and the City's goal to be good stewards of its resources—both built and environmental.

PROPOSED INCENTIVE

The Ordinance provides for a 100% (net 52%), 15-year CRA tax exemption for this property. The exemption applies only to the increase in value of the building attributable to the project improvements. Pursuant to the Commercial CRA policy established by City Council, this project is located within 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 has demonstrated a financial need to secure adequate financing. This project will result in a more vibrant commercial district along the McMicken corridor and bring much needed housing to the northern section of Over the Rhine.

| SUMMARY | |
|---|--------------------|
| Forgone Public Benefit if Project Does not Proceed | |
| CPS PILOT (Forgone New Revenue) | (\$75,604) |
| VTICA (Forgone New Revenue) | (\$34,366) |
| Income Tax (Forgone New Revenue) | (\$24,003) |
| Total Public Benefit Lost | (\$133,973) |
| Incentive Value | |
| Annual Net Incentive to Developer | \$7,942 |
| Total Term Incentive to Developer | \$119,134 |
| City's Portion of Property Taxes Forgone | \$29,568 |
| Public Benefit | |
| CPS PILOT | |
| Annual CPS Pilot | \$5,040 |
| Total Term CPS PILOT | \$75,604 |
| VTICA | |
| Annual VTICA | \$2,291 |
| Total Term VTICA | \$34,366 |
| Income Tax (Max) | \$24,003 |
| Total Public Benefit (CPS PILOT/VTICA /Income Tax) | \$133,973 |
| Total Public Benefit ROI* | \$1.12 |
| City's ROI* | \$4.53 |

*If the project were going to happen regardless of incentive, this is the return of real dollars for public benefits as potential future dollars are forgone

RECOMMENDATION

The Administration recommends approval of this Emergency Ordinance.

Attachment: A. Property location and photographs

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

Attachment A: Location and Photographs

