

May 10, 2023

To: Mayor and Members of City Council

From: Sheryl M.M. Long, City Manager



202301360

Subject: Emergency Ordinance – Approving and Authorizing a Community Reinvestment Area Tax Exemption Agreement with Pleasant CAKE LLC

Attached is an Emergency Ordinance captioned:

APPROVING AND AUTHORIZING the City Manager to execute a *Community Reinvestment Area Tax Exemption Agreement (LEED or Living Building Challenge)* with Pleasant Cake LLC, thereby authorizing a fifteen-year tax exemption for one hundred percent of the value of improvements made to real property located at 1527-1531 Pleasant Street in the Over-the-Rhine neighborhood of Cincinnati, in connection with the construction of a mixed-use building consisting of approximately 959 square feet of commercial office space and approximately 7,208 square feet of residential space, comprised of approximately five residential rental units, which construction shall be completed in compliance with Leadership in Energy and Environmental Design Silver, Gold or Platinum standards or Living Building Challenge standards, at a total construction cost of approximately \$3,158,393.

BACKGROUND/CURRENT CONDITIONS

In January 2023, Pleasant CAKE LLC submitted a Commercial CRA Application for a new construction of a 4-story, five-unit LEED Gold building at the property located at 1527-1531 Pleasant Street in the Over-the-Rhine neighborhood. Pleasant CAKE LLC purchased the 1531 Pleasant Street property in May 2022 for \$223,665. 1527 Pleasant Street was subdivided from the parcel at 1526 Elm Street and consolidated with 1531 Pleasant Street in February 2023. The project will have an owner-occupied rental unit with two of the owners occupying that unit, also considered to be the penthouse. The other four units will be traditional rental units. There will also be a small leasing office on the first floor as well as seven dedicated parking spots on site for the owners and tenants.

DEVELOPER INFORMATION

Pleasant CAKE LLC is owned by Eileen Zell, Alexandre Regina, Kristen Myers, and Christopher Heckman. The members have backgrounds in law, industrial design, and accounting and finance. This project is Pleasant CAKE LLC's first, though Kristen Myers and Christopher Heckman have completed multiple rehabilitation projects in Over-the-Rhine, Mt. Auburn, the West End, and Covington over the past 15 years.

RECOMMENDATION

The Administration recommends approval of this Emergency Ordinance.

Attachment: Project Outline

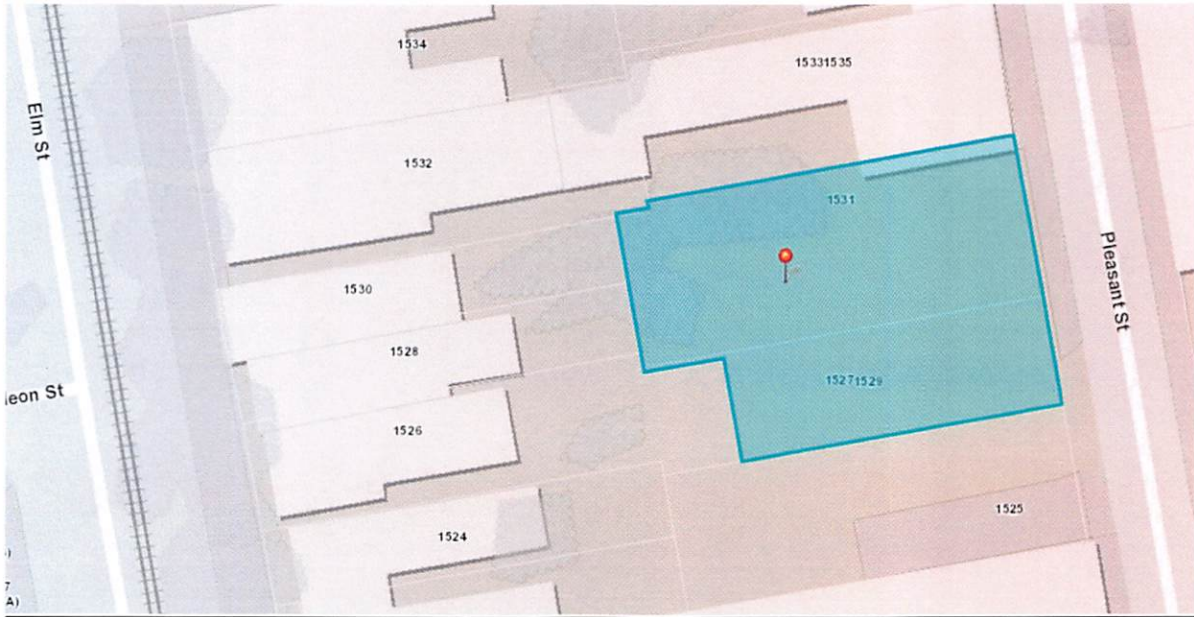
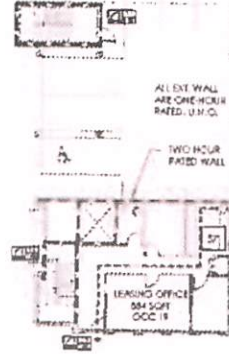
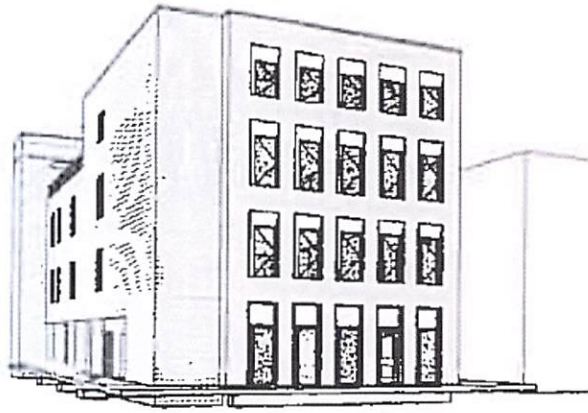
Copy: Markiea L. Carter, Director, Department of Community & Economic Development

Project Outline

<u>Project Description Details</u>	<u>Explanation</u>
Project Name	1527-1531 Pleasant
Street Address	1527-1531 Pleasant Street
Property Condition	The property is currently vacant land
Neighborhood	Over-the-Rhine
Incentive Application Process	Commercial CRA – Downtown Streetcar Area (LEED)
Recent or other projects by Developer	None
Approval at planning commission/Neighborhood support	Planning Commission N/A; Developer received a letter of support from the Over-the-Rhine Community Council
Plan Cincinnati Goals	Achieves the Compete Initiative Area Goal 2 (pages 114-120) and Live Initiative Area Goal 3 (pages 164-177) of <i>Plan Cincinnati</i> (2012)

Project Images and Site Map





Incentive Summary Category	Explanation
Abatement Term and amount	15-year, net 52%
Construction Cost & Private investment committed	Approximately \$3,158,393 in hard construction costs, \$224,000 in acquisition costs, and \$260,584 in soft costs The construction costs at nearly \$400 per sq ft can be attributed to the inclusion of parking structure and other finishes the owner-occupants wanted. Developer will utilize a combination of private financing in the amount of \$2,163,665 and \$1,479,312 in developer equity.

	The developer equity is high, just over 40% of the total project cost.
Sq. Footage by Use	959 sf – office, 7,208 sf – residential
Number of units and rental ranges	5 (4 2-BR, 1 Penthouse), \$2,100-\$5,000, one small leasing office (rent to be determined)
Jobs created/retained and payroll (living wage)	Projected to create 2 FTE positions at \$130,000 in annual payroll (avg. of \$65,000 annually per job)
“But For”	There is no return for the developer based underwriting and developer is investing 41% of its own cash in the project. The CRA would help minimize an already less than healthy return for the developer while helping to reactivate a blighted, vacant space that ½ of the ownership group will call home.
Cash on Cash Return for developer (Market return between 8-12%, depends on investment risk)	The owners do not consider this an investment property as much as they do their own personal residence since 50% of the ownership group will be living there. The traditional cash on cash rate of return calculation is not the driving factor for the investment.
LEED or other environmental build	LEED Gold
Neighborhood VTICA	Streetcar VTICA – 15%
Total Public Benefit (Benefits Realized vs Taxes Forgone)	\$1.11 of new CPS/VTICA/Income taxes for each \$1 forgone
Projected Income Tax Revenue	\$77,760
MBE/WBE Goals	SBE Goal of 30%
Transit Access/Walkability	Sits within walking distance of the 6, 16, 17, 19, 20, 21, 24, 46, 49, 64, 67, 78 and Metro Plus bus routes and Streetcar route; located within walking distance of Findlay Market, Washington Park, the OTR Vine Street Business District, and the OTR Main Street Business District; 96 Walk Score
Geography	Located in an Opportunity Zone
Historic Preservation/Existing Building Renovation	N/A
Public Infrastructure Improvements	N/A

Rent	Affordable to Salary	City Jobs (Min Salary exceeds affordable salary)
\$2,100.00	\$84,000.00	Asst Neighborhood Services Director, Asst Buildings & Inspections Director, Director of Public Services, Director of Recreation, Director of Transportation & Engineering
\$5,500.00	\$220,000.00	City Manager

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