

June 7, 2023

To: Mayor and Members of City Council

From: Sheryl M.M. Long, City Manager

202301567

Subject: Emergency Ordinance – Authorizing a Property Sale and Development Agreement with Airecon Properties, LLC

Attached is an Emergency Ordinance captioned:

AUTHORIZING the City Manager to execute a *Property Sale and Development Agreement* with Airecon Properties, LLC, for the sale of City-owned real property located at 4036-4046 Erie Court and 5299-5307 Brotherton Court in the Madisonville neighborhood of Cincinnati, for construction of a 5,000 square foot expansion of the manufacturing facility located on the adjoining property.

BACKGROUND/CURRENT CONDITIONS

The City of Cincinnati owns the parcels located at 4036-4046 Erie Court and 5299-5307 Brotherton Court in the Madisonville neighborhood of Cincinnati. The City initially acquired these properties in 1998 and 1999 to create space for expanding existing manufacturing companies. However, the City of Cincinnati's Department of Transportation & Engineering ("DOTE") later determined the properties were possibly needed for a realignment of the intersection of Brotherton, Erie, and Red Bank Expressway, causing the City to retain the subject parcels. More recently, DOTE altered its needs analysis related to the Eastern Corridor Implementation Plan and allowed the properties for sale.

Since 2016, and pursuant to Ordinance Number 345-2015, the City has leased 5299-5307 Brotherton Court to Airecon Manufacturing Corporation ("Airecon") for an initial term of 10 years. Since then, Airecon has used the leased parcels for outdoor storage for their adjacent manufacturing facility. The remaining City-owned lots are vacant and currently overgrown with vegetation.

An appraisal of the properties conducted by the City of Cincinnati's Real Estate Services Division determined the fair market value to be \$126,000. Accordingly, the City decided that eliminating competitive bidding in connection with the sale of the City-owned property is appropriate due to Airecon's lease control, the resulting efficiencies from single management and ownership, and the sale proceeds being more valuable than the revenues of the current long-term lease.

Following the sale of the City-owned parcels, Airecon plans to consolidate the lots and improve the property, including initial property improvements, such as clearing overgrown sections of vegetation, leveling and installing gravel, and then constructing a 5,000-square-foot building adjacent to the existing manufacturing facility, which will

enable increased manufacturing capacity, enhanced material flow, and improved ingress and egress around the property. Beyond the described improvements, the Property Sale and Development Agreement requires that 4036 Erie Court be sold from Airecon to Naro Limited Partnership, the adjacent property owner and real estate development affiliate of Mayers Electric for future expansion.

DEVELOPER INFORMATION

Airecon Properties, LLC is the real estate development affiliate of Airecon Manufacturing Corporation. Since 1979, Airecon Manufacturing Corporation has specialized in industrial ventilation and custom sheet metal engineering, fabrication, installation, and service. Airecon's employees consist of sales and engineering staff, service technicians, and office administration personnel and are managed by Josh Jacobs and Dana Depenbrock.

RECOMMENDATION

The Administration recommends approval of this Emergency Ordinance. This is an Emergency Ordinance for the Developer to close on the subject property and begin construction on the project as soon as possible.

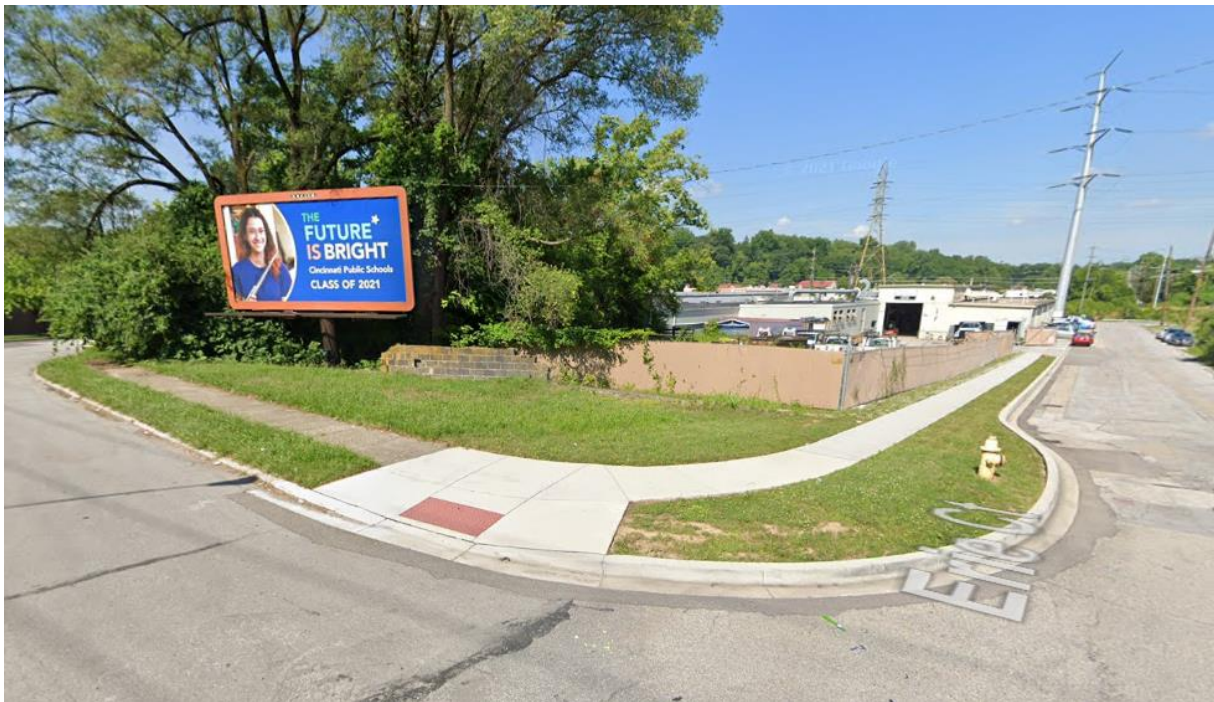
Attachment: Project Outline

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

Project Outline

<u>Project Description Details</u>	<u>Explanation</u>
Project Name	Airecon Manufacturing Expansion
Street Address	4036-4046 Erie Court and 5299-5307 Brotherton Court
Property Condition	The parcels at 5299-5307 Brotherton Court have been leased to Airecon since 2016 for outdoor storage and ingress/egress for shop operations. The properties at 4036-4046 Erie Court are vacant.
Neighborhood	Madisonville
Incentive Application Process	Direct Sale of City Land
Recent or other projects by Developer	N/A
Approval at Planning Commission/Neighborhood support	<ul style="list-style-type: none"> - Approval of sale by City Planning Commission on 10/7/2022 - Public engagement meeting held with Madisonville stakeholders, the Developer, and City Planning on 9/26/2022
Plan Cincinnati Goals	Achieves the Compete Initiative Area Goal 1 (pages 103-113)

Project Image



<u>Incentive Summary Category</u>	<u>Explanation</u>
Proposed Incentive	Fair Market Value Sale of City Land to Airecon (\$126,000)
Additional Incentives	N/A
Construction Cost & Private investment committed	Project Costs <ul style="list-style-type: none"> - \$886,000 in total project costs (\$700,000 in hard construction costs and \$60,000 in machinery and equipment costs)
Sq. Footage by Use	5,000 sf – manufacturing
Number of units and rental ranges	N/A
Jobs created/retained and payroll (living wage)	Retain 45 existing full-time equivalent permanent jobs with an approximate annual payroll of \$3,500,000. Create 6-8 full-time equivalent permanent jobs with an approximate annual payroll of \$580,000.
“But For”	N/A
Cash on Cash Return for developer (Market return between 8-12%, depending on investment risk)	N/A
LEED or other environmental build	Non-LEED
Neighborhood VTICA	N/A
Total Public Benefit (Benefits Realized vs Taxes Forgone)	N/A
Projected New Income Tax Revenue	\$10,440
MBE/WBE Goals	N/A
Transit Access/Walkability	The project is in proximity to the Red Bank Road; The Project also is in proximity to the Metro Route 28.
Geography	The project sits in an SBA Hub Zone and Opportunity Zone.
Historic Preservation/Existing Building Renovation	N/A
Public Infrastructure Improvements	N/A