

December 13, 2021

To: Mayor and Members of Budget and Finance 202103295
From: Paula Boggs Muething, City Manager
Subject: **CRA Tax Exemption Agreement for 1209 Elm, LLC**

Attached is an Emergency Ordinance captioned:

APPROVING AND AUTHORIZING the City Manager to execute a *Community Reinvestment Area Tax Exemption Agreement* with 1209 Elm, LLC, thereby authorizing a 12-year tax exemption for 100% of the value of improvements made to real property located at 1209 Elm Street in the Over-the-Rhine neighborhood of Cincinnati, in connection with the remodeling of an existing building into approximately 4,740 square feet of residential space, consisting of 4 residential rental units, at a total construction cost of approximately \$1,367,937.50.

BACKGROUND/CURRENT CONDITIONS

1209 Elm, LLC, a subsidiary of AG Development, owns and intends to renovate the property located at 1209 Elm Street in Over-the-Rhine located along Washington Park, just south of Memorial Hall. The property is vacant and was most recently owned by Tender Mercies.

DEVELOPER INFORMATION

1209 Elm, LLC is a limited liability corporation operated by AG Development, a partnership between Angelo Pusateri, a real estate agent and developer, and Greg Cole, owner of The Acanthus Group specializing in historic restorations. AG Development has development experience in the Over-the-Rhine Historic District and have redeveloped 1919, 1921, 1923, and 1925 Vine Street down the street from this project. They also have projects in progress around Findlay Market.

PROJECT DESCRIPTION

The Developer is proposing a gut renovation to the three-story, 4,740 sq ft historic building located at 1209 Elm Street to include four (4) market-rate rental units—one (1) one-bedroom units and three (3) two-bedroom unit—with rents at \$1,500 per month for a one-bedroom and \$2,500 per month for a two-bedroom. The developer is considering leasing two of the units as short-term rentals at a rate at approximately \$120 per night. The project was awarded state and federal historic tax credits (HTCs) and renovations will be done with preservation in mind, repairing and restoring historic woodwork, doors, windows, layout, and masonry. Total project cost is estimated to be \$1,792,938, with construction cost estimated to be \$1,367,937.50. The project is estimated to take twelve

to eighteen months to complete and will support the creation of 3.5 full-time jobs with a total annual payroll of \$180,000 and seven temporary construction jobs with an annual payroll of \$650,000.

This project achieves Goal 3 of the Live Initiative Area of *Plan Cincinnati* (2012) (pages 164-178) by providing a full spectrum of housing options and Goal 2 of the Live Initiative (pages 156-163) of creating a more livable community by activating property that has long been vacant in the northern portion of the Over-the-Rhine neighborhood. The developer intends to commence construction in March 2022.

PROPOSED INCENTIVE

DCED is recommending a twelve-year net 52% CRA tax exemption. The exemption applies only to the increase in improvement value attributed to the construction.

Pursuant to the Commercial CRA policy established by City Council, this project is located in 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 merits a twelve-year net 52% CRA Tax Abatement based on the following criteria:

- Project produces marginal cash-on-cash
- Net 15% Streetcar VTICA contribution totals to \$42,228
- Project will create 3.5 full-time positions that will add a total annual payroll of \$180,000 and seven temporary construction jobs will a total annual payroll of \$650,000
- Project provides a \$5.04 return for every dollar of City investment

SUMMARY	
Incentive Value	
Annual Net Abatement (Savings to Developer)	\$12,199
Total Term Net Abatement (Savings to Developer)	\$146,390
City's Portion of Property Taxes Forgone	\$39,055
Public Benefit	
CPS PILOT	
Annual CPS Pilot	\$7,742
Total Term CPS PILOT	\$92,902
VTICA	
Annual VTICA	\$3,519
Total Term VTICA PILOT	\$42,228
Income Tax (Max)	\$64,305

New Permanent Jobs	3.5
Total Public Benefit (CPS PILOT/VTICA PILOT/Income Tax)	\$199,435
Total Public Benefit ROI	\$1.36
City's ROI	\$5.04

PROJECT TEAM & TIMELINE

The project team (listed below) will make themselves available at the request of the councilmember(s).

- Assistant City Manager: William Weber
- DCED Director: Markiea Carter
- Project Attorney: Kaitlyn Geiger

The anticipated council timeline is as follows:

- December 13, 2021: Budget and Finance
- December 15, 2021: City Council for Final Approval

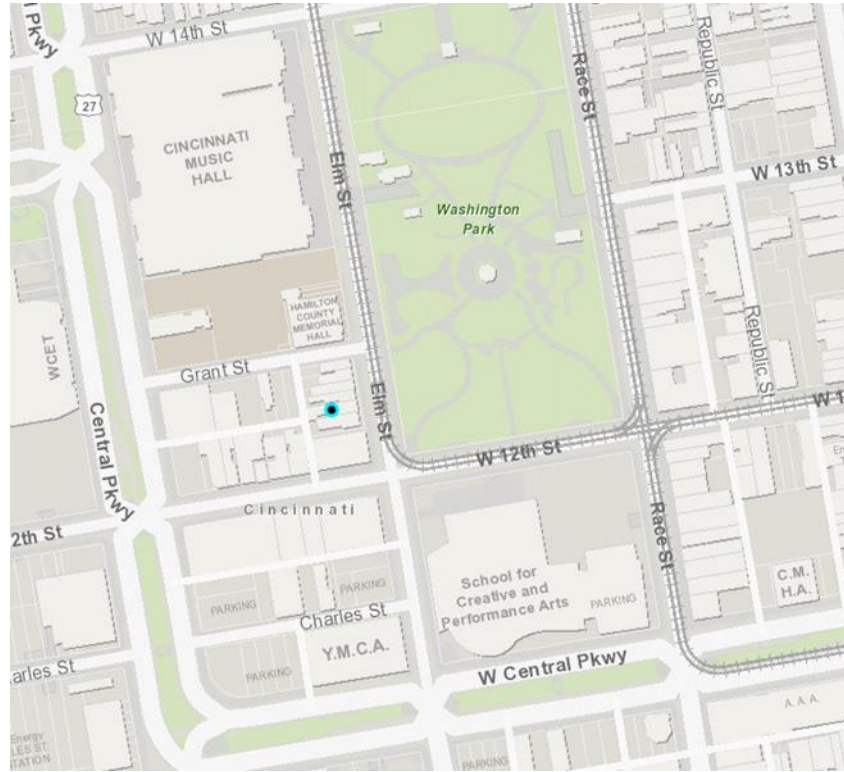
RECOMMENDATION

The Administration recommends approval of this Ordinance. This Ordinance is an Emergency so the Developer can close on the necessary financing and begin the construction as soon as possible.

Attachment: A. Property location and photographs

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

Attachment A: Location and Photographs



Property Location



1209 Elm Street