

June 4, 2025

To: Mayor and Members of City Council

From: Sheryl M.M. Long, City Manager

202501157

Subject: **Emergency Ordinance – Approving and Authorizing an Amendment to CRA Tax Abatement with Traction Partners LLC.**

Attached is an Emergency Ordinance captioned:

**APPROVING AND AUTHORIZING** the City Manager to execute a Second Amendment to Community Reinvestment Area Tax Exemption Agreement with Traction Partners, LLC, amending an agreement previously authorized by Council for a 100 percent tax exemption of the value of improvements made to real property located at 432 Walnut Street in the Central Business District of Cincinnati, removing the obligation for the company to obtain certification of compliance with LEED standards.

#### STATEMENT

**HOTELS:** The addition of these hotel rooms will relieve Cincinnati's existing and worsening hotel demand issue; a healthy hotel room supply benefits residents by increasing tourist's spending within city-limits instead of regional alternatives and decreasing necessity for the widespread proliferation of short-term-rentals (STR), ultimately allowing for more STR to long-term housing conversion.

#### BACKGROUND/CURRENT CONDITIONS

Traction Partners, LLC, an affiliate of Parkes Development Group, proposes a complete rehabilitation of the historic 15-story Traction Building located at 432 Walnut Street in the Central Business District. This amendment removes the obligation for the company to obtain certification of compliance with LEED standards.

#### DEVELOPER INFORMATION

Traction Partners, LLC is an affiliate of Parkes Development Group, LLC (PDG) out of Franklin, Tennessee. PDG has over 30 years of construction and development experience.

#### RECOMMENDATION

The Administration recommends approval of this Emergency Ordinance.

Attachment: Project Outline

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

### Project Outline

Project Name	The Traction Building
Street Address	432 Walnut Street
Neighborhood	Central Business District
Property Condition	Vacant Building
Project Type	Rehabilitation
Project Cost	Hard Construction Costs: \$59,371,071 Acquisition Costs: \$12,921,481 Soft Costs: \$47,497,352 Total Project Cost: \$119,789,904
Private Investment	Sponsor Deferred or Contributed Capital: \$27,442,644 Investor Equity: \$13,248,296 Senior Debt: \$46,700,000
Sq. Footage by Use	Hotel: 118,000 SF (152 rooms). Commercial: 4,000 SF
Jobs and Payroll	Created FTE Positions: 116 Total Payroll for Created FTE Positions: \$4,651,961 Average Salary for Created FTE Positions: \$40,103 Construction FTE Positions: 125 Total Payroll for Construction FTE Positions: \$9.4MM
Location and Transit	Located within the Central Business District Transit Score: 83
Community Engagement	N/A
Plan Cincinnati Goals	Compete Initiative Area Goal 2 (p. 114-120), Sustain Initiative Area Goal 2 (p.193-198)

### Project Image and Site Map





**Proposed Incentive**

Incentive Terms	15-year, net 60%
Incentive Application Process	Commercial CRA – Downtown Streetcar Area (Non-LEED)
“But For”	Without Abatement: 4.60% rate of return (stabilized) With Abatement: 6.60% rate of return (stabilized) Project would not proceed without an abatement.
Environmental Building Certification	Non-LEED
VTICA	Streetcar VTICA – 15%
SBE/MBE/WBE Goals	SBE Goal of 30%

**Potential Taxes Forgone & Public Benefit**

<b>Taxes Forgone</b>	<b>Value</b>
Annual Net Incentive to Developer	\$562,888
Total Term Incentive to Developer	\$8,443,313
City's Portion of Property Taxes Forgone (Term)	\$2,331,814
City's TIF District Revenue Forgone (Term)	\$0

Public Benefit		Value
CPS PILOT	Annual	\$234,536
	Total Term	\$1,144,915
VTICA	Annual	\$140,722
	Total Term	\$2,110,828
Income Tax Total Term (Maximum)		\$1,424,779
Total Public Benefit (CPS PILOT, VTICA , Income Tax)		\$7,053,655

Total Public Benefit ROI*	\$0.84
City's ROI**	\$0.61

\* 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/ over the City's property taxes forgone.