

May 10, 2023

To: Mayor and Members of City Council

202301358

From: Sheryl M.M. Long, City Manager

Subject: Emergency Ordinance – Approving and Authorizing CRA Tax Exemption Agreement with Fair Oaks Enterprises, LTD

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 Fair Oaks Enterprises, Ltd., thereby authorizing an eleven-year tax exemption for 100 percent of the value of improvements made to real property located at 3005 Vandercar Way in the Oakley neighborhood of Cincinnati, in connection with the construction of a new hotel consisting of approximately 117 rooms, containing approximately 71,000 square feet of commercial space in aggregate, 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 \$15,500,000.

BACKGROUND/CURRENT CONDITIONS

Fair Oak Enterprises, LTD, plans to develop the property located at 3005 Vandercar Street in the Oakley neighborhood of Cincinnati. Prior to the proposed development, the City assisted the development of Oakley Station by financing the demolition and environmental remediation of the former Milacron factory site, as well as construction of new public infrastructure through State grant funding and project tax increment financing. The total assistance amounted to \$17,540,645. The project currently places a hotel on a parcel that consists of vacant land and a parking lot.

DEVELOPER INFORMATION

Fair Oak Enterprises, LTD is owned by Allen W. Schmidthorse, Preston Stegman, Douglas Steinke, and Thomas and Sandra Shoemaker. These individuals collectively have over 100 years of hotel and/or real estate experience. Specifically, this includes 20 award winning hotels constructed by S & S Management, Inc., which was founded by Thomas Shoemaker and Douglas Steinke. A recent project from the Development Team included the adjacent 108-unit hotel (Homewood Suites by Hilton).

RECOMMENDATION

The Administration recommends approval of this Emergency Ordinance. This is an Emergency Ordinance so construction financing can be closed, and construction commences at the earliest possible time.

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	Fairfield Inn TownePlace Suites by Marriott
Street Address	3005 Vandercar Way
Property Condition	Vacant 1.5 Acre Lot in Oakley Station Development.
Neighborhood	Oakley
Incentive Application Process	Commercial CRA – Neighborhood (LEED or LBC)
Recent or other projects by Developer	108-unit hotel (Homewood Suites by Hilton) located at 4605 Factory Colony Lane
Approval at planning commission/Neighborhood support	City Council and Planning Commission approved the Major Amendment to the Concept Plan and Development Program Statement in September 2022 (Ordinance No. 290-2022). Oakley Community Council is supportive of the project.
Plan Cincinnati Goals	Achieves the Compete Initiative Area Goal 2 (pages 114-120) and Sustain Initiative Area Goal 1 (pages 181-186) of Plan Cincinnati

Project Image



<u>Incentive Summary Category</u>	<u>Explanation</u>
Abatement Term and amount	11-year, net 52%
Construction Cost & Private investment committed	\$15,500,000 in hard construction costs, \$4,000,000 in acquisition and soft costs
Sq. Footage by Use	71,000 SQFT - Commercial
Number of units and rental ranges	No Residential Units
Jobs created/retained and payroll (living wage)	Projected to create 22 FTE positions at \$850,000 in annual payroll (avg. of \$ 38,636.36 annually per job). Projected to create 200 temporary construction positions at \$3,000,000 in total payroll.
“But For”	No Points were assigned for “But For.” The Developer will receive an acceptable Cash on Cash return in Year 5 of the abatement (8.90%). However, DCED utilized the established Neighborhood Scorecard to review this incentive request. Because the Developer was awarded 2 points from LEED Silver and 8 points for full 15% Neighborhood VTICA contribution, DCED recommends the 11-year tax abatement, per established City Council Policy.
Cash on Cash Return for developer (Market return between 8-12%, depends on investment risk)	Without Abatement: Year 5: 7.02% (stabilized) With Abatement: Year 5: 8.90% (stabilized)
LEED or other environmental build	LEED Silver
Neighborhood VTICA	Neighborhood VTICA – 15%
Total Public Benefit (Benefits Realized vs Taxes Forgone)	\$1.09 of new CPS/VTICA/Income taxes for each \$1 forgone
Projected Income Tax Revenue	\$249,300
MBE/WBE Goals	SBE Goal of 30%
Transit Access/Walkability	Located within ½ mile of Metro’s Oakley Transit Center (24-hour service to Routes 11 and 51)
Geography	Located within ½ mile of a neighborhood business district
Historic Preservation/Existing Building Renovation	Not Applicable
Public Infrastructure Improvements	Not Applicable