

December 13, 2021

**To:** Members of the Budget and Finance Committee

**From:** Paula Boggs Muething, City Manager

202103292

**Subject:** CRA Tax Exemption Agreement for West End Affordable

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Attached is an Emergency Ordinance captioned:

**APPROVING AND AUTHORIZING** the City Manager to execute a *Community Reinvestment Area Tax Exemption Agreement* with Seven Hills Neighborhood Houses and the Port of Greater Cincinnati Development Authority, thereby authorizing a 15-year tax exemption for 100% of the value of improvements made to real property located at 1904 Linn Street, 2011 Colerain Avenue, and 2025 Colerain Avenue in the West End neighborhood of Cincinnati, in connection with the remodeling of 3 existing buildings into approximately 10,824 square feet of residential space, consisting of 16 residential rental units, and approximately 3,746 square feet of commercial space, at a total construction cost of approximately \$1,911,500.

### **BACKGROUND/CURRENT CONDITIONS**

West End Affordable is a \$2.5 million scattered-site, mixed-use historic rehab project being co-developed by Seven Hills Neighborhood Houses (SHNH) and The Port in the West End neighborhood. Located at 1904 Linn Street, 2011 Colerain Avenue, and 2025 Colerain Avenue, the project includes a gut rehab of three historic buildings and will yield 16 affordable rental units, and approximately 1,600 square feet of commercial space. The buildings have long been vacant and blighted and were in the Hamilton County Land Bank. This project is expected to receive \$1 million of CDBG funds from the City; \$500,000 was awarded through the 2019 NOFA round and \$500,000 via two NBDIP rounds.

### **DEVELOPER INFORMATION**

Seven Hills Neighborhood Houses (SHNH) is a non-profit Community Development Corporation serving the West End neighborhood. This project, being co-developed by them and The Port, is a capacity-building project for SHNH, to learn the development process and generate a new revenue stream. Buildings for this project existed in the Port/Landbank portfolios, and The Port will transfer ownership of all three to SHNH upon project completion.

### **PROJECT DESCRIPTION**

The \$2.5 million project consists of the gut renovation of three historic buildings in the West End to create 16 rental units and approximately 1,600 square feet of commercial space. All 16 units will be made affordable to those earning 80% AMI or lower. The unit count by unit type is 14 one-bedroom units, with rents ranging between \$500-\$965 per month, and two two-bedroom units at \$1,121 per month. The project is estimated to create eight (8) full-time jobs with an estimated annual payroll of \$286,000 and 125 temporary construction jobs with an estimated annual payroll of \$636,000. The developer hopes to commence construction in Spring 2021 and anticipates the project to take 18 months to complete.

This project achieves Goal 3 of the Live Initiative Area of *Plan Cincinnati* (2012) (pages 164-178) by improving housing quality and affordability 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 West End neighborhood.

**PROPOSED INCENTIVE**

DCED is recommending a fifteen-year net 67% 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 deemed undercapitalized. Therefore, the project is subject to financial gap analysis. The project merits a fifteen-year net 67% CRA Tax Abatement based on the following criteria:

- Without the CRA tax abatement, cash flow will be significantly reduced, and the project would not support the debt service required to complete the construction.
- The project is receiving direct assistance (\$1M in CDBG funds) through DCED’s NOFA and NBDIP programs.
- The project is creating new affordable housing units and will therefore not contribute to the neighborhood VTICA.

<b>SUMMARY</b>	
<b>Incentive Value</b>	
Annual Net Abatement (Savings to Developer)	\$21,964
<b>Total Term Net Abatement (Savings to Developer)</b>	<b>\$329,460</b>
<b>City's Portion of Property Taxes Forgone</b>	<b>\$69,104</b>
<b>Public Benefit</b>	
CPS PILOT	
Annual CPS Pilot	\$10,818
<b>Total Term CPS PILOT</b>	<b>\$162,271</b>
VTICA	

Annual VTICA	\$0
Total Term VTICA PILOT	\$0
Income Tax (Max)	\$94,631
New Permanent Jobs	8
<b>Total Public Benefit (CPS PILOT/VTICA PILOT/Income Tax)</b>	<b>\$256,902</b>
Total Public Benefit ROI	\$0.78
City's ROI	\$3.72

### **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 (1)
- December 15, 2021: City Council for Final Approval

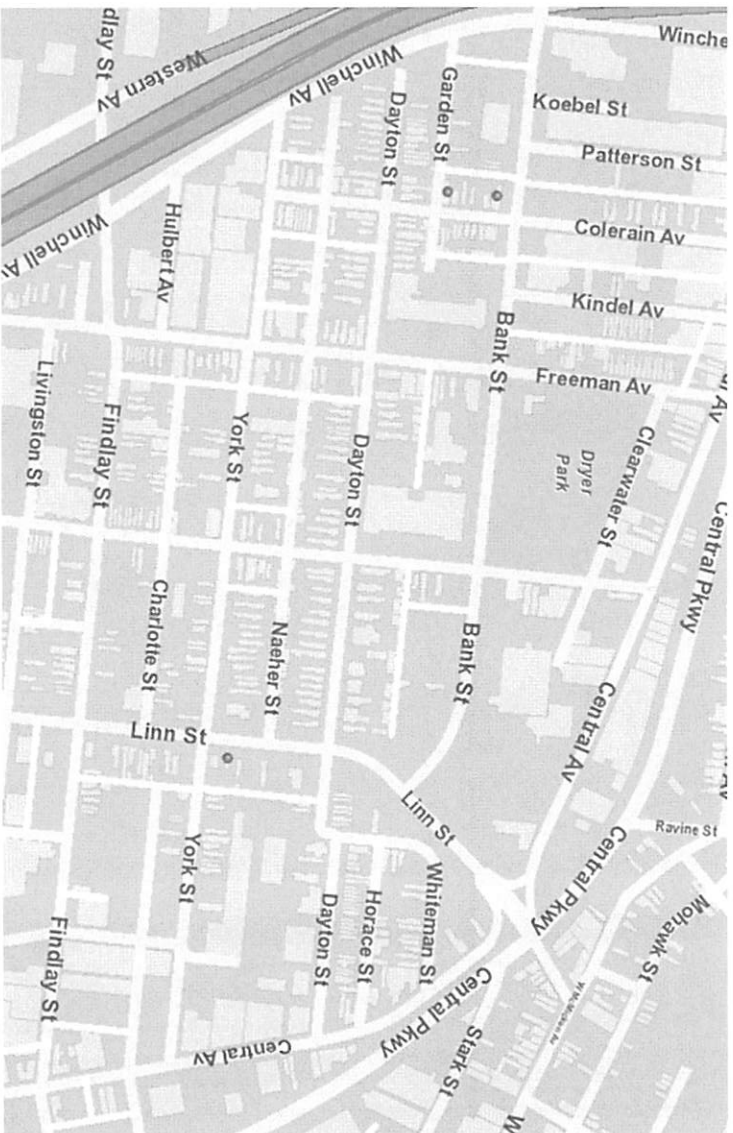
### **RECOMMENDATION**

The Administration recommends approval of this Emergency Ordinance. The emergency clause is necessary to maintain a strict development timeline.

Attachment: A. Property location and photographs

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

**Attachment A: Location and Photographs**



*Property Locations*



*1904 Linn Street*



*2011 Colerain Avenue*



*2025 Colerain Avenue*