

November 30, 2022

To: Mayor and Members of City Council

From: Sheryl M.M. Long, City Manager

SML

202202125

Subject: Emergency Ordinance – Approving and Authorizing a Community Reinvestment Area Tax Exemption Agreement with CRDV Findlay Market, LLC

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 CRDV Findlay Market, LLC, an affiliate of The Model Group, Inc., thereby authorizing a 15-year tax exemption for 100% of the value of improvements made to real property located at 130-132 W. Elder Street in the Over-the-Rhine neighborhood of Cincinnati, in connection with the remodeling of the existing buildings into approximately 4,000 square feet of commercial space and approximately 10,000 square feet of office space, which remodeling shall be completed in compliance with Leadership in Energy and Environmental Design Silver, Gold or Platinum standards or Living Building Challenges standards, at a total remodeling cost of approximately \$5,600,000.

BACKGROUND/CURRENT CONDITIONS

CRDV Findlay Market, LLC, an affiliate of The Model Group (TMG), plans to renovate the properties located at 130-132 W. Elder Street in the Over-the-Rhine neighborhood. The property is the currently vacant former Leader Furniture Building adjacent to Findlay Market. TMG purchased the property for \$1,500,000 in 2021 and sold the property to CRDV Findlay Market, LLC for \$1,236,177 in October 2022.

DEVELOPER INFORMATION

The developer is CRDV Findlay Market, LLC, an affiliate of The Model Group. TMG has developed more than \$750 million in real estate, including over 400 historic properties in Ohio. TMG has previously completed three (3) phases of development around Findlay Market: Market Square I, Market Square II, and Market Square III.

PROJECT DESCRIPTION

The Findlay Exchange project, which is phase four (4) of the Market Square developments will consist of the gut rehab of six (6) historic buildings, divided into two (2) portions. This portion of the project will consist of 10,000 square feet of office space and 4,000 square feet of commercial space. The project will be energy efficient, meeting or exceeding LEED Silver performance standards. The project is part of a \$125 million overall plan for the broader Market District.

130-132 W. Elder Street will be renovated in partnership with Co-Hatch into a Co-Working and Entrepreneurship Center, providing space and programming to grow local entrepreneurs while offering retail, food, beverage, and event space operations on the ground floor. Proposed rents are \$25 per square foot (psf) per year.

Total project cost is projected at \$7.4 million, with construction cost at approximately \$5.6 million. Findlay Exchange has been awarded New Market Tax Credits and Federal and State Historic Tax Credits. The project is estimated to take 15 months to complete and is projected to support the creation of 67 temporary construction jobs with a total estimated annual payroll of \$1.47 million. The project is projected to retain two (2) full-time Co-Hatch jobs with a total estimated annual payroll of \$100,000, as well as create 55 full-time jobs with a total estimated annual payroll of \$1.93 million. Developer intends to begin construction in December 2022.

The developer has presented to the Over-the-Rhine Community Council, either committees or the full body, on multiple occasions since 2020.

The proposed project is consistent with *Plan Cincinnati* (2012) within the Geographic Principle to “Focus revitalization on existing centers of activity” (p. 86). It is consistent with *Plan Cincinnati* within the Compete Initiative Area’s Goal to “Foster a climate conducive to growth, investment, stability, and opportunity” (p. 103), as well as a Strategy in the Compete Initiative Area to “Target investment to geographic areas where there is already economic activity” (p. 115). The proposed project will bring commercial and office space onto the market surrounding Findlay Market, an existing center of economic activity.

PROPOSED INCENTIVE

DCED is recommending a 15-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 Findlay Exchange project was underwritten as one (1) project, rather than two (2). The project merits a 15-year, net 52% CRA Tax Abatement based on the following criteria:

CRA Tax Exemption Agreement

Yukon Investments, LLC

Page 3 of 4

- Project produces marginal cash-on-cash return through year 7, healthy years 8-15.
- Net 15% Streetcar VTICA contribution totals to \$216,089.
- Project will retain two (2) full-time equivalent positions and create 55 full-time equivalent positions that will add a total annual payroll of \$2,025,000 million and 67 temporary construction jobs will add a total annual payroll of \$1,470,000.
- Project will be LEED Silver.

SUMMARY	
Incentive Value	
Annual Net Incentive to Developer	\$49,941
Total Term Incentive to Developer	\$749,108
City's Portion of Property Taxes Forgone (Term)	\$0
City's Portion of TIF District Revenue Forgone (Term)	\$1,051,632
Public Benefit	
CPS PILOT	
Annual CPS Pilot	\$31,693
Total Term CPS PILOT	\$475,395
VTICA	
Annual VTICA	\$14,406
Total Term VTICA PILOT	\$216,089
Income Tax (Max)	\$579,825
Total Public Benefit (CPS PILOT/VTICA PILOT/Income Tax)	\$1,271,309
Total Public Benefit ROI	\$1.70
City's ROI	\$1.21
*If the project were going to happen regardless of incentive, this is the return of real dollars for public benefits as potential future dollars are forgone	

Full Findlay Exchange
Proforma without Incentive

PROFORMA WITHOUT ABATEMENT (YEARS 1-15) [averaged over the terms]	
Revenue	\$826,424
Operating Expenses & Reserves	\$461,425
Net Operating Income	\$355,699
Debt Service	\$57,252
Cash Flow After Debt Service	\$12,186
Cash on Cash Return	0.44%

Full Findlay Exchange
Proforma without Incentive

PROFORMA WITH ABATEMENT (YEARS 1-15) <i>[averaged over the terms]</i>	
Revenue	\$826,424
<i>Operating Expenses & Reserves</i>	<i>\$389,315</i>
<i>Net Operating Income</i>	<i>\$427,810</i>
Debt Service	\$57,252
<i>Cash Flow After Debt Service</i>	<i>\$84,296</i>
Cash on Cash Return	3.04%

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: Emily Kujawa

The anticipated council timeline, which includes two Budget and Finance meetings if necessary is as follows:

- November 30, 2022: Introduction to City Council
- December 5, 2022: Budget and Finance (1)
- December 12, 2022: Budget and Finance (2)
- December 14, 2022: City Council for Final Approval

RECOMMENDATION

The Administration recommends approval of this Emergency Ordinance. The emergency clause is needed to maintain a tight development schedule.

Attachment: A. Property location and photographs

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

Attachment A: Location and Photographs



Property Location



130-132 W. Elder Street