


May 3, 2023

To: Mayor and Members of City Council

From: Sheryl M.M. Long, City Manager  202301299

Subject: **Emergency Ordinance – Approving and Authorizing CRA Tax Exemption Agreement with Allez Bar & Bakery, LLC**

Attached is an Emergency Ordinance captioned:

APPROVING, AND AUTHORIZING the City Manager to execute a Community Reinvestment Area Tax Exemption Agreement with Allez Bar & Bakery, LLC, thereby authorizing a fifteen-year tax exemption for one hundred percent of the value of improvements made to real property located at 6012 Madison Road in the Madisonville neighborhood of Cincinnati, in connection with the remodeling of an existing building into approximately 5,056 square feet of commercial space, at a total construction cost of approximately \$1,600,000.

BACKGROUND/CURRENT CONDITIONS

The property, located at 6012 Madison Road, is a vacant, historic building in the Madisonville NBD. It has been in a distressed and hazardous condition (including a collapsed roof and other structural issues) for many years. The focus of the project thus far has been to prevent continued deterioration and promote the building's return to productive economic use. To date, the City has awarded a total of \$947,750 in CDBG funds to Madisonville Community Urban Revitalization Corporation (MCURC) and the Hamilton County Land Reutilization Corporation (HCLRC) for the purchase and stabilization of the property. The following is summary of the use of funds:

- **FY19 - \$275K NBDIP grant awarded to MCURC for acquisition, stabilization, and renovation.** The property was acquired; however, the project stalled due to a lack of funds needed to complete the scale of stabilization required.
- **FY21 – Additional \$200K in NBDIP funds awarded to MCURC for building stabilization.** This award was an amendment to the 2019 funding agreement, and the contract was structured so that the loan would be forgiven upon completion of the construction and project milestones.
- **FY22 – \$200K in FY21 funds folded into a \$672,750 CDBG grant to the HCLRC and MCURC.** Building stabilization is currently underway and anticipated to be completed by June 2023.

After stabilization, MCURC will sell the property to Allez Bar & Bakery LLC (“Allez”). Allez applied for a Commercial CRA Tax Exemption to help defray the cost of the business's expansion to this second, much larger location in Madisonville, which will include a \$2M privately financed investment by Allez.

BUSINESS INFORMATION

Tom McKenna and Patrick Hague are the principal owners of Allez OTR, which has operated out of a 950-sf location on Main St. for 5+ years. Despite the limited size of the current location, the owners have been highly successful in growing the business, which has received both local and national recognition. In 2021, Food & Wine Magazine listed Allez OTR among the 100 best bakeries in America.

The expansion to Madisonville will enable Allez to fuel business growth through a second, much larger location, Allez Bar & Bakery. With expanded capacity and retail offerings, Allez will 1) add 15 new jobs (FTEs include bread manufacturing, restaurant, retail, sales and part-time positions include dishwashers, nighttime porter, host/hostess, retail clerk, barista, and delivery driver for a total annual payroll of \$499,200), 2) broaden services in the Madisonville NBD, and 3) bring a once hazardous and blighted property back to productive use.

RECOMMENDATION

The Administration recommends approval of this Emergency Ordinance.

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	Allez Bar & Bakery
Street Address	6012 Madison Road
Property Condition	Historic building currently vacant and undergoing stabilization; The business will acquire the building after stabilization is complete.
Neighborhood	Madisonville
Incentive Application Process	Commercial CRA application
Recent or other projects by Developer	The business currently operates out of a 950-sf location on Main St. in Over-the-Rhine, which it has operated out of for 5 yrs. It will keep its current location.
Approval at planning commission/Neighborhood support	Planning Commission N/A
Plan Cincinnati Goals	Achieves the Compete Initiative Area Goal 2 (pages 114-120) and Sustain Initiative Area Goal 2 (pages 193-198) of Plan Cincinnati

Project Image



<u>Incentive Summary Category</u>	<u>Explanation</u>
Abatement Term and amount	15-yr CRA 100% (Net 52%).
Construction Cost & Private investment committed	\$1,600,000 in hard construction costs, \$52,000 in acquisition costs, and \$413,500 in soft costs; Allez is working with Cincinnati Development Fund and National Development Council to finance construction and business expansion.
Sq. Footage by Use	5,056 sf - commercial
Number of units and rental ranges	No residential units
Jobs created/retained and payroll (living wage)	Projected to create 15 FTE positions at \$499,200 in annual payroll.
“But For”	Allez is seeking a Commercial CRA to help defray the costs of their expansion

	<p>into this much larger second location. Allez is privately financing the \$1,600,000 redevelopment of the property. The estimated total cost of the project, including soft costs & acquisition, is \$2,065,500. While the business will be taking on new loan payments to finance the construction, this tax incentive will reduce the annual cost of ownership to the business resulting from the expansion.</p>
<p>Cash on Cash Return for developer (Market return between 8-12%, depends on investment risk)</p>	<p>The project will not result in an income-producing property for the applicant as they will occupy the property with their business. This metric does not apply to company expansion initiatives where the company is the owner/occupant.</p>
<p>LEED or other environmental build</p>	<p>Non-LEED</p>
<p>Neighborhood VTICA</p>	<p>Neighborhood VTICA – 15%</p>
<p>Total Public Benefit (Benefits Realized vs Taxes Forgone)</p>	<p>\$6.25 of new CPS/VTICA/Income taxes for each \$1 forgone</p>
<p>Projected Income Tax Revenue</p>	<p>\$163,944</p>
<p>MBE/WBE Goals</p>	<p>SBE Goal of 30%</p>
<p>Transit Access/Walkability</p>	<p>Sits along Route 11 24/7 Bus Route, and Route 12 Madisonville Commuter Service Route</p>
<p>Geography</p>	<p>Located in Madisonville NRSA</p>
<p>Historic Preservation/Existing Building Renovation</p>	<p>This project will bring a once hazardous and blighted historic building back to productive use. Allez will be redeveloping 5,056 square feet for the following:</p> <ul style="list-style-type: none"> • Increasing bread and pastry production capacity (50% of first floor) • Café/bistro that will be open 5-6 days a week (40% of building) • Retail outlet for breads, pastries, and sandwiches (10% of building)
<p>Public Infrastructure Improvements</p>	<p>N/A</p>