

January 20, 2022

**To:** Mayor and Members of City Council 202200113  
**From:** Paula Boggs Muething, City Manager  
**Subject:** **Emergency Ordinance – Authorizing Development Agreement with 7 West 7th Property LLC**

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Attached is an Emergency Ordinance captioned:

**AUTHORIZING** the City Manager to execute a Development Agreement with 7 West 7th Property LLC, pertaining to the development and construction of residential rental units on floors 8-21 of the building on property located at 7 W. 7th Street in the Central Business District of Cincinnati, and providing for City assistance to the project in the form of a rebate of a portion of the service payments in lieu of taxes imposed in connection with a proposed 30-year property tax exemption for improvements pursuant to Ohio Revised Code Section 5709.41, subject to the passage by Council of a separate ordinance authorizing such tax exemption.

### **BACKGROUND/CURRENT CONDITIONS**

This property was formally the Macy's Corporate Headquarters office building in Downtown Cincinnati. The Developer submitted a Tax Increment Financing (TIF) application to DCED requesting assistance in the redevelopment of this property. The property is within walking distance to Fountain Square, one block of the Aronoff Center, direct access to the Cincinnati Bell Connector streetcar, and many restaurants, attractions, and businesses in the heart of Downtown Cincinnati.

### **DEVELOPER INFORMATION**

Victrix Investments, LLC. (Victrix) is a real estate investment and development firm based out of New York City. Victrix focuses on multifamily and hotel investments and targets adaptive reuse conversion projects of office or other uses into multifamily mixed-use projects. Victrix specializes in utilizing tax credits (Historic, NMTC, LIHTC, and TIFs) and Opportunity Zone incentives. Victrix's goal is to work with cities and owners to repurpose substantially vacant buildings into much-needed additional housing units to ensure the continued vibrancy of America's downtowns. Victrix has successfully completed several projects including the Highline Apartment project located in Hyattsville, MD which was another office to residential conversion project.

### **PROJECT DESCRIPTION**

The Developer will convert a portion of the former Macy's Corporate Headquarters office building at 7 W. 7<sup>th</sup> Street, which consists of floors 8-21 of the skyscraper, to a residential development with 338 market-rate rental units. The project's residential space may be

reduced in the event that the Developer desires to construct office space in the Property. The redeveloped building will include 338 market-rate residential units, ranging from studios to 2-bedroom units and a 19,100 SF outdoor terrace space on the 8th floor. Once completed, monthly rents for the project will range from \$1,350 for a studio apartment to \$2,150 for a 2-bedroom unit. The total project cost is estimated to be approximately \$72,800,000.

**PRIORITIES RUBRIC**

Pursuant to the *Priorities Rubric* established by City Council, this project is achieving the following policy objectives as outlined herein:

- **Balanced Housing Production**  
*This project creates additional market-rate housing or workforce housing (income 81%-120% AMI) that promotes a balanced, mixed-income neighborhood without displacing existing residents.*

<i>Unit Type</i>	<i>80/120% AMI Rent Limits*</i>	<i>Project Rents</i>
<i>Studio</i>	<i>\$1,196 - \$1,794</i>	<i>\$1,350</i>
<i>1BR</i>	<i>\$1,281 - \$1,921</i>	<i>\$1,550</i>
<i>2BR</i>	<i>\$1,538 - \$2,307</i>	<i>\$2,150</i>

\*Source: Novogradac Rent & Income Limit Calculator; Cincinnati, OH-KY-IN HUD Metro FMR Area

- **Improvement of Vacant, Blighted and/or Underutilized Properties**  
*This project involves the redevelopment of the vacant former Macy’s Headquarters into a Class-A apartment community. By taking a vacant office building and redeveloping it into an apartment community, the Developer is repurposing what would otherwise be a vacant building in the core of Cincinnati. The project enhances an underutilized site and adds new amenities and a residential option to the neighborhood.*
- **Voluntary Tax Incentive Contribution**  
*As a material representation of the Development Agreement, the Developer has committed to a 15% contribution equal to 15% of the Service Payments for the purpose of funding the maintenance and operations of the streetcar. The value of this contribution is estimated to be \$3,735,292 over the term.*
- **Inclusion and Local Businesses**  
*The Developer has committed to using good faith efforts to achieve 17% MBE and 10% utilization goals for construction contracts. Moreover, they have committed to working with the Cincinnati Department of Community and Economic Development (DCED) to advertise the project to local MBE and WBE businesses for contracting and other services. In addition, the Developer will utilize the City of Cincinnati’s Small Business Enterprise Utilization Plan to maximize the project’s probability of achieving the City’s aspirational goal of 30% Small Business Enterprise Utilization. Additionally, the Developer is a minority-owned and directed business.*

- **Community Outreach**  
*DCED engaged the Downtown Residents Council on October 11<sup>th</sup>, 2021 to introduce the project and receive initial feedback/comments. The Developer met with the Downtown Residents Council on January 10<sup>th</sup>, 2022 to introduce themselves and the proposed project. Overall, between both meetings the Downtown Residents Council was receptive and excited about the project and the idea of adding additional density and housing to Downtown.*
- **Living Wages and Local Jobs**  
*The Developer has committed that all jobs created by the Project will comply with the City’s Living Wage Policy. The Developer is committed to creating small/neighborhood business jobs and hiring locally.*
- **Job Creation and Retention**  
*Through this project, the developer will create significant jobs and payroll and will create more than 10 jobs per acre. The project will create approximately 500 construction jobs with a total annual payroll of approximately \$10,000,000 and 11 FTEs with a total annual payroll of approximately \$702,000.*
- **Place Based Investing**  
*This project is located within ½ mile of Over-the-Rhine’s Neighborhood Business District and is located along a transit corridor. Furthermore, the project is within close proximity to Fountain Square, the Aronoff Center, and centrally located between the Banks entertainment district and Over-The-Rhine. The subject property is along the Cincinnati Bell Connector Streetcar station, Red Bike bikeshare stations, and stops serving 10 bus lines, allowing tenants to navigate Cincinnati’s urban core without a car.*
- **Transformative Project**  
*The project fills a neighborhood need and adds a new community asset (housing), preserves the existing former Macy’s Building and serves as a Catalytic Project for the Downtown and Over-the-Rhine neighborhoods. The Developer will utilize the former Macy’s buildings indoor/outdoor terrace on the 8<sup>th</sup> floor of the subject property to add family-oriented amenities and outdoor space to accommodate residents of the development*

## **POLICY OBJECTIVES**

- **Growth of Revenues for Cincinnati Public Schools (CPS)**  
*Under the 2020 Tax Incentive Agreement between the City of Cincinnati and Cincinnati Public Schools (CPS), both entities benefit from new real estate development. In negotiating property tax incentives for real estate development projects within the City, the City of Cincinnati ensures that CPS receives a payment in lieu of taxes equivalent to 33% of the total taxes that would be paid on the project. This is the same percentage of new revenue that CPS receives on new real estate investments that occur without property tax incentives. The agreement ensures that:*
  1. *New investment continues to occur in the City which would not be financially feasible without incentive and;*

2. That CPS receives 33% payments from these new investments as it would from new investments that occur without incentive.

**For this project, the 33% payment to CPS is anticipated to be \$273,921 per year and \$8,217,643 over the term of the agreement.**

- Protected Income Tax

Although it is difficult to determine the exact value of new income tax revenue created by a residential project, we can assume that those living at the project site will contribute 1.8% of their income to the City annually. To measure that value, the below estimation was done. There are several assumptions in the estimation, including the number of people in each unit and their annual payroll. These assumptions are based on HUD common standards of 1 person per studio and 1.5 persons per bedroom in the 1- and 2-bedroom units. The annual income per resident is calculated on the assumption that each resident will spend 30% of their income on rent and utilities (utilities estimated at \$90 per month). **This project is anticipated to generate approximately \$412,862 per year in City income tax, and \$12,385,872 over the term of the incentive.**

Unit Type	Number of Units	Total Housing Cost Including Utilities	Income Assumption (Rent = 30% of income)	Payroll	City Income Tax Annually	City Income Tax over 25 years
Studio	53	\$1,440	\$57,600	\$3,052,800	\$54,950	\$1,373,760
1BR	219	\$1,640	\$65,600	\$14,366,400	\$258,595	\$6,464,880
2BR	66	\$2,090	\$83,600	\$5,517,600	\$99,317	\$2,482,920
				<b>\$22,936,800</b>	<b>\$412,862</b>	<b>\$10,321,560</b>

- Local Impact and Strategic Goals

**Population Growth** | The Central Business District (CBD) was at its peak population in 1940 at 11,467 people according to the US Census Bureau data for Tract 7 and Track 265 (Block Group 2), which covers the entirety of the CBD and a small portion of the West End neighborhood (US Census). Due to U.S. government instituted Urban Renewal practices and the arrival of the automobile, the CBD saw a decline in population over time, reaching a low of 2,528 in 1980 (US Census). The City has been working to increase population in the urban core. There has also been an influx of new demand for urban living in Cincinnati. According to the 2020 US Census, the CBD population was recorded at 6,600, an increase of 1,750 since 2010. **Based on HUD common standards of 1 person per studio and 1.5 persons per bedroom in the 1- and 2-bedroom units, this project is anticipated to make available 338 new housing units that could house approximately 579 residents.**

**Increased Housing Supply** | Along with the decline in population in the CBD came disinvestment in housing supply over time. The CBD saw a jarring decline in the number of housing units largely due to large swaths of property that were seized and demolished by Urban Renewal practices. The City has been working to increase the supply of housing units in the City and specifically in the CBD. According to data retrieved by CoStar, the number of housing units in the CBD has increased from 15,024 in 2010 to 18,199 in 2020, an increase of 3,175 units. It

*is important to note that the data retrieved is focused on the urban core which spans across not only the CBD but adjacent neighborhoods, including Clifton, Corryville, West End, OTR, and portions of Queensgate. Although, we have made great strides in over the last 10 years, if the City continues to have a significant shortage overall, and as we continue to welcome more residents into the CBD, limited housing supply will only be further exacerbated unless we, as a city, can facilitate the increase supply of housing. **This project will add an additional 338 housing units to the CBD.***

**Neighborhood Business Support** | *This project involves the redevelopment of the vacant former Macy’s Headquarters into a Class-A apartment community. This project will add new housing units to the CBD and bring additional vibrancy and opportunities for the CBD to benefit through consumer spending. Based on data submitted by the Developer, the average person living within a 1-mile radius of the center of the CBD spends 38% of their income within 1-mile of the project on consumer spending. Using HUD common standards of 1 person per studio and 1.5 persons per bedroom in the 1- and 2-bedroom units, the annual income per resident is calculated on the assumption that each resident will spend 30% of their income on rent and utilities (utilities estimated at \$90 per month). **This project is anticipated to generate approximately \$8,715,984 per year in consumer spending within 1-mile of the project, and \$217,899,600 over the term of the incentive.***

Unit Type	Number of Units	Total Housing Cost Including Utilities	Income Assumption (Rent = 30% of income)	Payroll	Consumer Spending (38% of income)	Consumer Spending Tax over 25 years
Studio	53	\$1,440	\$57,600	\$3,052,800	\$1,160,064	\$29,001,600
1BR	219	\$1,640	\$65,600	\$14,366,400	\$5,459,232	\$136,480,800
2BR	66	\$2,090	\$83,600	\$5,517,600	\$2,096,688	\$52,417,200
				<b>\$22,936,800</b>	<b>\$8,715,984</b>	<b>\$217,899,600</b>

**PROPOSED INCENTIVE**

DCED is recommending a Tax Increment Financing (TIF) exemption for the project site pursuant to Ohio Revised Code 5709.41 for a period of 30 years. From years 26-30, the City will retain the excess service payments—functionally creating a 25-year exemption to the Developer. Following the creation of the project TIF, the City and Developer will enter a Service Agreement which will require payment of full statutory Service Payments in lieu of real estate taxes. Prior to the rebate of any Service Payments to the Developer, 33% of the Service Payments will be paid to Cincinnati Public Schools, and for tax years 1-30, Developer is willing to make a VTICA contribution equal to the greater of 15% of the Service Payments for the purpose of funding the maintenance and operations of the streetcar.

<b>SUMMARY</b>	
<b>Forgone Public Benefit if Project Does not Proceed</b>	
CPS PILOT (Forgone New Revenue)	(\$8,217,643)
VTICA (Forgone New Revenue)	(\$3,735,292)
Income Tax (Forgone New Revenue)	(\$1,072,260)
Retained by City in Years 26-30	(\$2,158,169)
<b>Total Public Benefit Lost</b>	<b>(\$15,183,364)</b>
<b>Incentive Value</b>	
Annual Net Incentive to Developer	\$431,634
<b>Total Term Incentive to Developer</b>	<b>\$10,790,844</b>
<b>City's Portion of Property Taxes Forgone</b>	<b>\$2,678,228</b>
<b>Public Benefit</b>	
CPS PILOT	
Annual CPS Pilot	\$273,921
Total Term CPS PILOT	<b>\$8,217,643</b>
VTICA	
Annual VTICA	\$124,510
Total Term VTICA	<b>\$3,735,292</b>
Income Tax (Max)	<b>\$1,072,260</b>
Retained by City in Years 26-30	<b>\$2,158,169</b>
<b>Total Public Benefit (CPS PILOT/VTICA /Income Tax)</b>	<b>\$15,183,364</b>
Total Public Benefit ROI*	\$1.41
City's ROI*	\$5.67

\*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

**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:

- January 20, 2022: City Council for Introduction
- January 24, 2022: Budget and Finance Committee
- January 26, 2022: City Council for Final Approval

**RECOMMENDATION**

Development Agreement

*7 WEST 7<sup>TH</sup> PROPERTY LLC – Macy’s Corporate HQ Redevelopment*

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The Administration recommends approval of this Emergency Ordinance.

Attachment: A. Property location and photographs

Attachment: B. Council Priorities Rubric

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

**Attachment A: Location and Photographs**

*Property Location*



*7 W. 7<sup>th</sup> Street – Elevation*





## Attachment B: Council Priorities Rubric

### PRIORITIES RUBRIC

**PROJECT:** 7 West 7<sup>th</sup> Street (Macy's Building)

Do total costs of the Project exceed \$5 million? Yes  No

Does the present value of proposed City assistance exceed \$3 million? Yes  No

CATEGORY	APPLICABLE?	EXCEEDS	MEETS
<b><u>BALANCED HOUSING PRODUCTION</u></b> <ul style="list-style-type: none"> <li>• Project creates or preserves, low-income (51%-80% AMI) housing units and/or very low-income housing units (31%-50% AMI) to the extent financially feasible given project conditions.</li> <li>• Project creates or preserves extremely low-income housing units (0%-30% AMI) to the extent financially feasible given project conditions.</li> <li>• Project creates a mixture of extremely low (0%-30% AMI), very low (31%-50% AMI), and/or low-income (51%-80% AMI) housing units with workforce/middle housing units (81%-120% AMI) and/or market-rate units to the extent financially feasible given project conditions.</li> <li>• Project creates additional market-rate or workforce/middle income (81%-120% AMI) housing units that promote a balanced, mixed-income neighborhood without displacing existing lower income residents.</li> </ul>	Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
<b><u>IMPROVEMENT OF VACANT, BLIGHTED AND/OR UNDERUTILIZED PROPERTIES</u></b> <ul style="list-style-type: none"> <li>• Project replaces a vacant and/or underutilized property and adds net-new housing units without displacing existing residents.</li> <li>• Project activates a previously vacant building or property.</li> <li>• Project eliminates a blighted parcel or parcels (as defined in Ohio Revised Code Section 1.08).</li> <li>• Project enhances an underutilized site (<u>i.e.</u> vacant parcel or surface parking lot) and adds new amenities (like housing, office, commercial, community space, etc.) to the neighborhood.</li> <li>• Project will involve remediation of a brownfield site or involves mitigation of previously existing site conditions that make redevelopment difficult.</li> </ul>	Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
<b><u>ENVIRONMENTALLY SUSTAINABLE DEVELOPMENT</u></b> <ul style="list-style-type: none"> <li>• Project will obtain requisite level of U.S. Green Building Council Leadership in Energy and Environmental Design Silver, Gold or Platinum or Living Building Challenge Net Zero or Petal (which must comply with the requirements of LBC).</li> </ul>	Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

<p><b><u>VOLUNTARY TAX INCENTIVE CONTRIBUTION</u></b></p> <ul style="list-style-type: none"> <li>Applicant has represented that it (i) will contribute at least 15% of the exempted value of the improvements either in support streetcar operations or to further neighborhood improvements in the neighborhood of the project and affordable housing city-wide and (ii) will execute an agreement with a third-party memorializing such contribution.</li> </ul>	Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
<p><b><u>INCLUSION</u></b></p> <ul style="list-style-type: none"> <li>Applicant has committed to using good-faith efforts to achieve 17% MBE and 10% WBE utilization goals for construction contracts related to the Project consistent with Chapter 324 of the Cincinnati Municipal Code.</li> <li>Applicant will (or will cause the end-user to) adopt hiring policies to ensure at least 25% of any new employees hired are residents of the City and such policies will give preference to residents of the City.</li> <li>Applicant has participated, is participating, or will participate in the City's program advancing minority development professionals.</li> </ul>	Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
<p><b><u>COMMUNITY OUTREACH</u></b></p> <ul style="list-style-type: none"> <li>Applicant has engaged all necessary stakeholders in the community in an open and public process, as early as feasible. DCED can provide information regarding best practices upon an applicant's request.</li> <li>In the interest of mitigating displacement directly associated with the Project, Applicant has engaged any and all tenants, businesses, and persons that as a direct result of the Project may be entitled to relocation benefits pursuant to Chapter 740 of the Cincinnati Municipal Code.</li> </ul>	Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
<p><b><u>LIVING WAGES</u></b></p> <ul style="list-style-type: none"> <li>Applicant has committed that all jobs created by the Project (during construction and after) will comply with the City's Living Wage Policy.</li> <li>Applicant has represented that it will engage a partner in the Labor community on construction of the Project to ensure good wages and career training.</li> </ul>	Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
<p><b><u>JOB CREATION AND RETENTION</u></b></p> <ul style="list-style-type: none"> <li>Project will create and/or retain significant jobs and payroll.</li> <li>Project will create and/or retain small/neighborhood business jobs and payroll.</li> <li>Project will create and/or retain more than 10 jobs per acre.</li> </ul>	Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
<p><b><u>PLACE-BASED INVESTMENT</u></b></p> <ul style="list-style-type: none"> <li>Project is located in a Federally designated NRSA and/or Opportunity Zone.</li> <li>Project is located within 1/2 mile of a Neighborhood Business District.</li> <li>Project is located along a transit corridor.</li> <li>Project encourages traditional compact, walkable neighborhood development.</li> </ul>	Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
<ul style="list-style-type: none"> <li>Project is placed within a federally designated Hub Zone.</li> </ul>			
<p><b><u>HISTORIC PRESERVATION</u></b></p> <ul style="list-style-type: none"> <li>Project will directly lead to the preservation of a historic structure.</li> <li>Project will create increased market activity and investment that will support and encourage preservation of proximate historic structures.</li> </ul>	Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<p><b><u>TRANSFORMATIVE PROJECT</u></b></p> <ul style="list-style-type: none"> <li>Project fills a neighborhood need and/or adds a new community asset (i.e. retail, commercial, grocery, housing).</li> <li>Project saves or preserves existing community asset.</li> <li>Project creates or enhances a public space to be utilized by the community.</li> <li>Project creates/repairs City infrastructure.</li> <li>Project is within a "Targeted Neighborhood" as defined in Ordinance No. 275-2017, as amended.</li> <li>Project is a "Catalytic Project" as defined in Ordinance No. 275-2017, as amended.</li> </ul>	Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

This Priorities Rubric is intended to be utilized as a starting point for discussions of certain public benefits created by applicable projects, and is not intended to prevent or discourage the City Administration from presenting projects for Council consideration that do not meet the criteria listed herein. Acknowledging that projects may have benefits that are not captured in the criteria set forth in this Priorities Rubric, Council encourages the City Administration to bring forth all worthy projects.