

May 11, 2022

To: Mayor and Members of City Council **202201161**
From: John P. Curp, Interim City Manager
Subject: **ORDINANCE – CRA AGREEMENT WITH 123 E MCMICKEN AVENUE, LLC**

Attached is an Ordinance captioned:

APPROVING AND AUTHORIZING the City Manager to execute a *Community Reinvestment Area Tax Exemption Agreement* with 123 E. McMicken Avenue, LLC, thereby authorizing a 15-year tax exemption for 100% of the value of improvements made to real property located at 123 E. McMicken Ave in Over-the-Rhine, in connection with the remodeling of an existing building into approximately 1,530 square feet of commercial space at a total remodeling cost of approximately \$272,488.

BACKGROUND/CURRENT CONDITIONS

123 E McMicken Avenue, LLC (the “Developer”) currently owns the 142-year-old building located at 123 E. McMicken Avenue in Over-the-Rhine. Given the age of the property, it requires substantial reinvestment to bring it to market standards.

DEVELOPER INFORMATION

123 E McMicken Avenue, LLC is affiliated with OTR A.D.O.P.T. OTR A.D.O.P.T. has eleven years of experience in the preservation of historic buildings and has redeveloped properties in Over-the-Rhine and the West End. Previous projects include 1702 Central Parkway, 1620 Walnut Street, and 2013 Colerain Avenue.

PROJECT DESCRIPTION

The Developer plans to remodel the 142-year-old building into approximately 1,530 square feet of commercial space that will serve as Action Tank’s headquarters, as well as a coworking and community space for residents. The total project cost is expected to be approximately \$352,909. The project will support the creation of 1.5 Full-Time Equivalent jobs with \$46,800 in annual payroll and 2.5 temporary construction jobs with \$185,587 in annual payroll.

PROPOSED INCENTIVE

DCED is recommending a 100% (net 52%), 15-year CRA tax exemption for this property.

The exemption applies only to the increase in value of the building attributable to the project improvements.

SUMMARY	
Incentive Value	
Annual Net Incentive to Developer	\$2,219
Total Term Incentive to Developer	\$33,282
City's Portion of Property Taxes Forgone	\$8,994
Public Benefit	
CPS PILOT	
Annual CPS Pilot	\$1,408
Total Term CPS PILOT	\$21,121
VTICA	
Annual VTICA	\$640
Total Term VTICA	\$9,601
Income Tax (Max)	\$46,217
Total Public Benefit (CPS PILOT/VTICA /Income Tax)	\$76,938
Total Public Benefit ROI*	\$2.31
City's ROI*	\$8.55

*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

PROFORMA WITHOUT ABATEMENT	
Revenue	\$31,624
Operating Expenses and Reserves	\$14,865
Net Operating Income	\$16,760
Debt Service	\$6,724
Cash Flow After Debt Service	\$10,035
Cash on Cash Return	9.50%

PROFORMA WITH ABATEMENT	
Revenue	\$31,624
Operating Expenses and Reserves	\$12,510
Net Operating Income	\$19,114
Debt Service	\$6,724
Cash Flow After Debt Service	\$12,389
Cash on Cash Return	11.70%

Market rate of return: ~8-10%

Pursuant to the Commercial CRA policy established by City Council, this project is located within the Streetcar VTICA Area and is therefore eligible for a 100% (net 52%), 15-year tax exemption. The project merits a fifteen-year, net 52% CRA Tax Abatement based on the following criteria:

- While the project proforma is healthy, the primary tenant to the building will be a lease with the non-profit Action Tank. DCED is recommending the incentive to limit the operating costs (including property taxes) that are passed along by the landlord to the tenant who is a nonprofit organization with limited resources.
- Net 15% Streetcar VTICA contribution totals to \$9,601
- The project will support the creation of 1.5 Full-Time Equivalent jobs with \$46,800 in annual payroll and 2.5 temporary construction jobs with \$185,587 in annual payroll.

PROJECT TEAM & TIMELINE

The project team (listed below) will make themselves available at the request of the Councilmember(s).

- Assistant City Manager: Billy Weber (Ext. 3318)
- DCED Director: Markiea Carter (Ext. 1953)
- Project Attorneys: Samantha Brandenburg (Ext. 4704)

The anticipated Council timeline is as follows:

- May 11, 2022: Introduction to City Council
- May 16, 2022: Budget and Finance (1)
- May 23, 2022: Budget and Finance (2)
- May 30, 2022: Budget and Finance (3)
- June 1, 2022: City Council for Final Approval

RECOMMENDATION

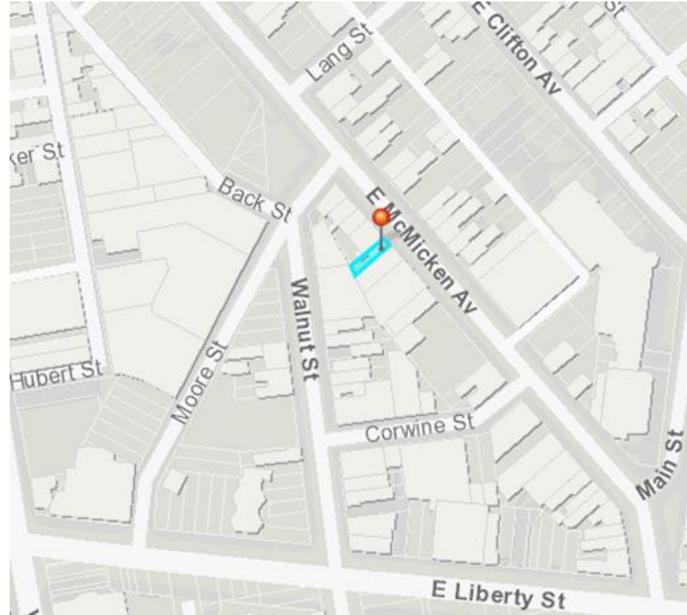
The Administration recommends approval of this Ordinance.

The project will bring a currently vacant building back into commercial use in Over-the-Rhine, further adding to the neighborhood's vibrancy. After 142 years, this property requires substantial reinvestment to bring it to market standards, and to enable it to contribute positively in the forthcoming decades.

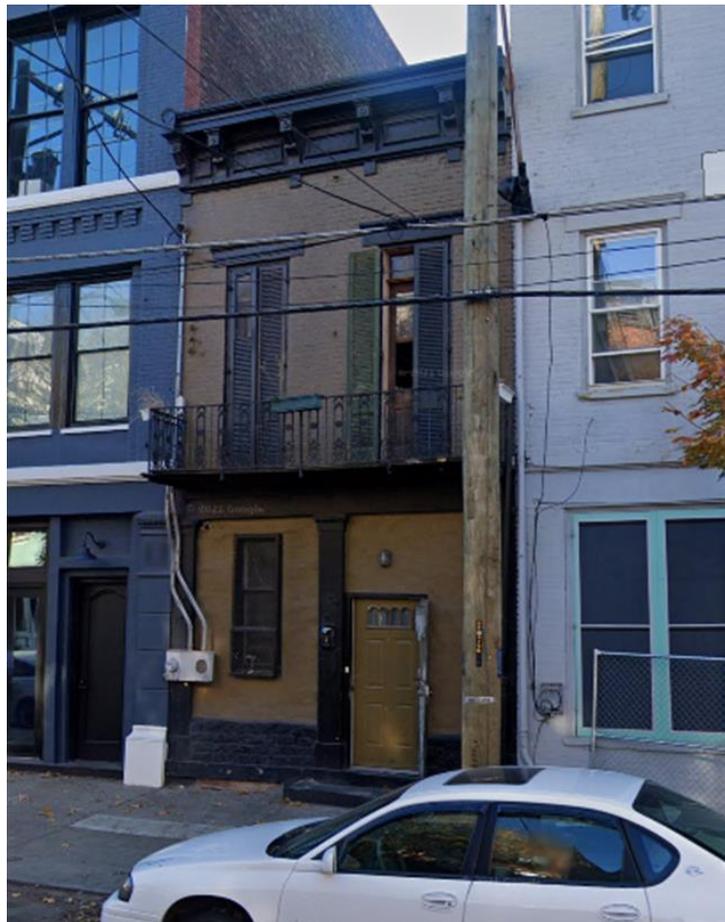
Attachment: A. Property location and photographs

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

Attachment A: Property Location and Photographs



Property Location



123 E. McMicken Avenue