

December 7, 2022

**To:** Mayor and Members of City Council

**From:** Sheryl M.M. Long, City Manager 202202155

**Subject:** **Emergency Ordinance – Approving and Authorizing CRA Tax Abatement with OTR Holdings, Inc.**

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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 OTR Holdings, Inc., an affiliate of 3CDC, thereby authorizing a 15-year tax exemption for 100% of the value of improvements made to real property located at 210-218 W. Twelfth Street in the Over-the-Rhine neighborhood of Cincinnati, in connection with the remodeling of four existing buildings into approximately 21,048 square feet of residential space, consisting of approximately 29 residential units, and approximately 2,600 square feet of commercial space, at a total construction cost of approximately \$6,864,654.

### **BACKGROUND/CURRENT CONDITIONS**

The project site includes four historic buildings located at 210-218 W 12<sup>th</sup> Street in Over-the-Rhine. All four buildings are vacant and have been vacant in recent years. The Developer began acquiring these properties in 2012 and have been held for future redevelopment. The Developer previously attempted to find a hotel developer for these properties but was unable to find a hotel development partner who could make the project financially viable.

### **DEVELOPER INFORMATION**

OTR Holdings Inc. is a subsidiary of the Cincinnati City Center Development Corporation (3CDC). Since 2003, 3CDC has undertaken over \$1.4 billion in investment in the Central Business District and Over-the-Rhine, renovating over 160 different buildings and one million square feet of commercial space. Most recently, they have completed the Willkommen project in Over-the-Rhine. 3CDC intends to create a new project specific entity that will undertake the project.

### **PROJECT DESCRIPTION**

The Developer plans to renovate the four historic buildings located at 210-218 W 12<sup>th</sup> Street into 29 residential units totaling 21,024 net square feet of residential space. Of those 29 units, 9 units would be affordable, with 6 being affordable to 80% AMI, and the remaining 3 being affordable to 60% AMI. There will be 6 studio apartments with rents

ranging from \$564/month to \$1,140/month, 15 one-bedroom apartments with rents ranging from \$851/month to \$1,491/month, and 8 two-bedroom apartments with rents ranging from \$1,491/month to \$2,089/month. The project will also include 2,600 square feet of ground floor commercial space. The Developer projects that the commercial space will create 10.4 full time equivalent jobs at \$647,920 in annual payroll.

This project achieves the Live Initiative Area Goal 3 of Plan Cincinnati (pages 164-178) by providing a full spectrum of housing options and improving housing quality and affordability. The project also achieves the Compete Initiative Area Goal 2 (pages 114-120) and Sustain Initiative Area Goal 2 (pages 193-198) by cultivating our position as the most vibrant and healthiest part of our region and preserving our natural and built environment.

City Planning and the Developer conducted a public engagement meeting with Over-the-Rhine, West End, and Downtown stakeholders following the City Manager's Community Engagement Policy on November 21, 2022. A written summary of the engagement session can be found on City Planning's website. The Developer has also conducted extensive engagement with the Over-the-Rhine Community Council and Downtown Residence Council, which have provided letters of support.

Rent	Affordable to Salary	City Jobs (Min Salary exceeds affordable salary)
<b>\$564.00</b>	\$22,560.00	Law Clerk, Council Assistant, Municipal Worker, Custodian, Health Technician, Recycling Operations Tech
<b>\$2,089.00</b>	\$83,560.00	Assistant Neighborhood Services Director, Fire Specialist, Police Specialist, Real Estate Manager, Parking Superintendent, Principal Engineer

AMI	1	2	3	4	5	6	7	8
<b>30%</b>	\$20,100	\$22,950	\$25,800	\$28,650	\$32,470	\$37,190	\$49,910	\$46,360
<b>50%</b>	\$33,450	\$38,200	\$43,000	\$47,750	\$51,600	\$55,400	\$49,250	\$63,050
<b>60%</b>	\$40,140	\$45,840	\$51,600	\$57,300	\$61,920	\$66,480	\$59,100	\$75,660
<b>80%</b>	\$53,520	\$61,120	\$68,800	\$76,400	\$82,560	\$88,640	\$78,800	\$100,880

## **PROPOSED INCENTIVE**

DCED is recommending a 15-year, net 52% Commercial CRA tax abatement. In addition to the tax abatement DCED is also recommending \$2,000,000 in funding from the Downtown/OTR West TIF District, the ordinance for which has been introduced in tandem. This recommendation is based on the following factors:

- This project will help to meet the City's need for quality affordable housing by creating 9 new affordable units while also activating and repurposing existing vacant, historic buildings.
- The Developer is seeking to fill the commercial space created by this project with a minority or women-owned business enterprise.

*\* "But For" Analysis Explanation:*

- Without an abatement, projected return on equity is below 0% for the first 15 years following construction, this equates to the project not moving forward, as the Developer would lose money on their investment.
- With the proposed incentives, the Developer's return on equity rises to 2% over the first 15 years following construction. While this is not a sufficient return on investment, it is consistent with the Developer's non-profit status and the City's desire to support non-profit and quasi-governmental organizations rehabilitating vacant buildings throughout our neighborhoods.

<b>SUMMARY</b>		
<b>Incentive Value</b>		
	Annual Net Incentive to Developer	\$62,556
	<b>Total Term Incentive to Developer</b>	<b>\$938,345</b>
	<b>City's Portion of Property Taxes Forgone (Term)**</b>	<b>\$0</b>
	<b>City's TIF District Revenue Forgone (Term)</b>	<b>\$1,317,292</b>
<b>Public Benefit</b>		
	CPS PILOT	
	Annual CPS Pilot	\$39,699
	<b>Total Term CPS PILOT</b>	<b>\$595,488</b>
	VTICA	
	Annual VTICA	\$18,045
	<b>Total Term VTICA</b>	<b>\$270,676</b>
	<b>Income Tax (Max)</b>	<b>\$305,483</b>
	<b>Total Public Benefit (CPS PILOT/VTICA /Income Tax)</b>	<b>\$1,171,648</b>
	Total Public Benefit ROI*	\$1.25
	City's ROI*	\$0.89
*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		
** Amount is zero due revenue going to the TIF District		

PROFORMA WITHOUT ABATEMENT (YEARS 1-15)		PROFORMA WITH ABATEMENT (YEARS 1-15)	
Revenue	\$475,596	Revenue	\$475,596
Operating Expenses and Reserves	\$308,554	Operating Expenses and Reserves	\$242,383
Net Operating Income	\$167,053	Net Operating Income	\$233,213
Debt Service	\$216,001	Debt Service	\$216,001
Cash Flow After Debt Service	-\$48,949	Cash Flow After Debt Service	\$17,212
Cash on Cash Return	-2%	Cash on Cash Return	1%

### **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: Samantha Brandenburg

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

- December 7, 2022: Introduction to City Council
- December 12, 2022: Budget and Finance (1)
- December 19, 2022: Budget and Finance (2)
- December 21, 2022: City Council for Final Approval

### **RECOMMENDATION**

The Administration recommends approval of this Emergency Ordinance. The reason for the emergency is so the project can commence construction in the month of December in order that the housing units be created at the earliest possible time for the benefit they provide to the residents of the City of Cincinnati.

Attachment: A. Property location and photographs

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

## Attachment A: Location and Photographs

