

November 30, 2022

To: Mayor and Members of City Council

From: Sheryl M.M. Long, City Manager *smm* **202202127**

Subject: **Emergency Ordinance – Approving and Authorizing CRA Tax Exemption Agreement with PL Durner, LLC**

Attached is an Emergency Ordinance captioned:

APPROVING AND AUTHORIZING the City Manager to execute a *Community Reinvestment Area Tax Exemption Agreement* with PL Durner, 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 2453 Gilbert Avenue in the Walnut Hills neighborhood of Cincinnati, in connection with the remodeling of an existing building to create approximately 10,000 square feet of office space, at a total construction cost of approximately \$2,520,000.

BACKGROUND/CURRENT CONDITIONS

PL Durner, LLC an affiliate of The Model Group, Inc. plans to renovate the property located at 2453 Gilbert Avenue in the Walnut Hills neighborhood, also known as the Durner Building. The property was acquired by the City of Cincinnati in 2014 and is currently under a lease agreement with option to purchase with the Walnut Hills Redevelopment Foundation (WHRF). The City also previously provided \$500,000 in stabilization funding to WHRF. WHRF has partnered with the Model Group to complete the redevelopment of 2453 Gilbert Avenue. The building has long been vacant and needs substantial renovation for it to be a habitable usable space.

DEVELOPER INFORMATION

The Model Group is an integrated property development, construction, and management company with a passion for revitalizing urban neighborhoods. They are recognized for revitalizing vacant & blighted urban blocks into high-quality mixed-use communities and developing high-impact mixed-use and affordable housing projects with non-profit partners and service providers. They have completed projects like the Findlay Market Redevelopment, Walnut Hills Redevelopment, Broadway Square in Pendleton, and Elm & Iron.

PROJECT DESCRIPTION

As a component of a \$28 million project called Paramount Launch, the Durner building is the proposed renovation of a four-story, property located at 2453 Gilbert Avenue (the "Property") into 10,000 sq. ft of office space. The total project cost is estimated to be \$4.4 million, with the construction cost estimated to be \$2.5 million. The project is estimated

to take ten months to complete and is anticipated to support the creation of 62 temporary construction jobs with an estimated total payroll of \$1.2 million and five full-time equivalents with an annual payroll of \$250,000. The developer hopes for construction to commence in January of 2023. Upon completion, the Property will contain ground-floor retail and café space and will be the headquarters for MORTAR, a nonprofit organization that offers training programs for entrepreneurs. The upper floors will include co-working and office space, as well as a multi-media studio and meeting/event space. The existing building located on the Property will be rehabbed to National Park Service Historic Preservation standards, with structure repairs, an upgraded elevator, rebuilt walls and flooring, new windows, and all building systems. MORTAR was also provided \$100,000 from City Council in 2018 that they will utilize in the tenant buildout of the space.

Paramount Launch as a whole is a project that will be developed in partnership with the Walnut Hills Redevelopment Foundation to bring new life and vitality back to the Former Kroger store site at 954 E. McMillan that was recently demolished. It will be redeveloped into a new five-story building on McMillan and includes the renovation of the nearby historic Race Refrigeration and Durner buildings.

The Durner Building project is consistent with *Plan Cincinnati* within the Compete Initiative Area's Goal to "Grow our Own" by focusing on retention, expansion, and relocation of existing business (p. 103) and the Sustain Initiative Area's Goals to "Preserve our Built History." (p. 180).

PROPOSED INCENTIVE

DCED is recommending a net sixty-seven (67%) commercial real estate tax abatement with a term of fifteen (15) years that will be attributable to the improved value generated from the construction.

Pursuant to the Commercial CRA policy established by City Council, the project scored three points as indicated below. However, the project's financial need meets the requirements of an Undercapitalized Project and the Administration recommends a 15-year net 67% CRA Tax Abatement:

"But For" Analysis (0-3 points) *	3
LEED (0-6 points)	0
Neighborhood VTICA (1 point for contributions over 1% but less than 15% and 8 points for contributions of 15% or more)	0
TOTAL	3

* *"But For" Analysis Explanation:* three points were awarded for the following reasons:

- Providing this level of abatement will lower operating costs and help maintain lower office rents for a non-profit tenant.
- Note – the final developer's return is pending the confirmation and terms of additional funding sources needed to finance the project. Even with an abatement, the projected return on equity is expected to be below market for a for-profit developer for the first 15 years following renovation.

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SUMMARY

Incentive Value

Annual Net Incentive to Developer	\$28,956
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Total Term Incentive to Developer	\$434,338
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City's Portion of Property Taxes Forgone (Term)	\$0
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City's TIF District Revenue Forgone (Term)	\$473,234
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Public Benefit

CPS PILOT

Annual CPS Pilot	\$14,262
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Total Term CPS PILOT	\$213,928
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VTICA

Annual VTICA	\$0
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Total Term VTICA	\$0
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Income Tax (Max)	\$97,740
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Total Public Benefit (CPS PILOT/VTICA /Income Tax)	\$311,668
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Total Public Benefit ROI*	\$0.72
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City's ROI*	\$0.66
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PROJECT TEAM & TIMELINE

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

- Assistant City Manager: William Weber
- DCED Director: Markiea Carter
- Project Attorney: Kaitlyn Geiger

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 15, 2022: City Council for Final Approval

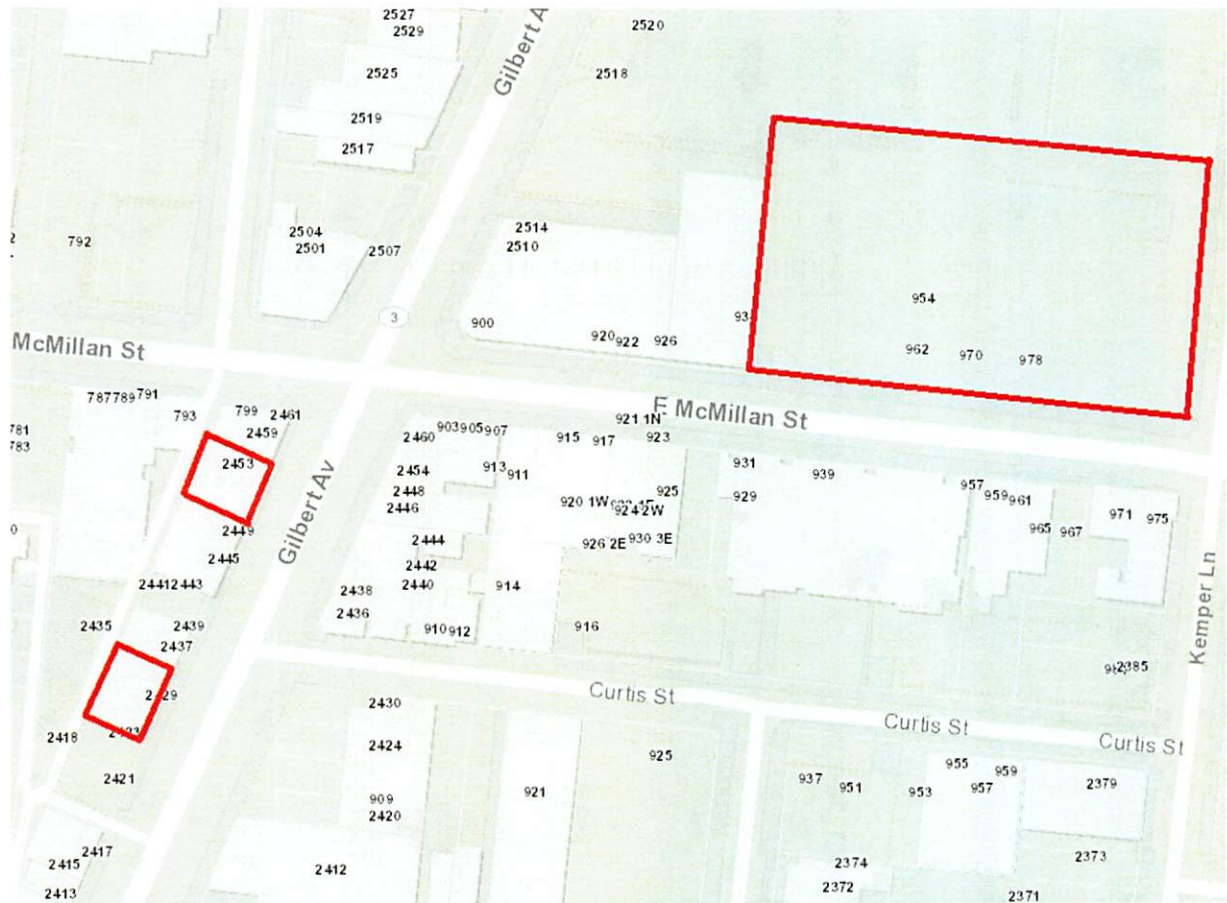
RECOMMENDATION

The Administration recommends approval of this Emergency Ordinance. This is an Emergency Ordinance so the project can meet an anticipated mid-December financial closing.

Attachment: A. Property location and photographs

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

Attachment A: Location and Photographs



Property Location



2453 Gilbert Ave - Rehab