

April 26, 2023

To: Mayor and Members of City Council

From: Sheryl M.M. Long, City Manager 

202301235

Subject: **Emergency Ordinance – Approving and Authorizing a CRA Tax Abatement with MCA Center, LLC**

Attached is an Emergency Ordinance captioned:

**APPROVING AND AUTHORIZING** the City Manager to execute a *Community Reinvestment Area Tax Exemption Agreement* with MCA Center, LLC, an affiliate of Model Group, Inc., thereby authorizing a fifteen-year tax exemption for 100 percent of the value of improvements made to real property located at 414 Walnut Street and 115 Fifth Street in the Central Business District of Cincinnati, in connection with the remodeling of two existing buildings into mixed-use space containing, in aggregate, approximately 47,103 square feet of commercial space, approximately 27,826 square feet of office space, and approximately 124,302 square feet of residential space, consisting of approximately 156 residential units, at a total construction cost of approximately \$52,700,523.

### **BACKGROUND/CURRENT CONDITIONS**

MCA Center, LLC will be renovating the office buildings located at 414 Walnut Street and 115 Fifth Street in the Central Business District neighborhood of Cincinnati. 414 Walnut Street is home to the Mercantile Library. This project will transform the mostly vacant buildings into 156 apartment units (124,302 square feet of residential space), 47,103 square feet of commercial space and 27,826 square feet of office space, as well as the expansion of the Mercantile Library.

### **DEVELOPER INFORMATION**

MCA Center, LLC is affiliated with The Model Group, who has developed more than \$750 Million in real estate, including over 400 historic properties in Ohio. This includes a diverse mix of market rate and affordable residential, as well as commercial real estate. TMG has extensive experience working with multiple funding sources, routinely layering them together in complex financing structures to maximize the impact of scarce resources and get challenging projects completed.

### **RECOMMENDATION**

The Administration recommends approval of this Ordinance.

CRA Tax Abatement

*Common Ground Community Development, LLC* Page 2 of 4

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	Mercantile Library Redevelopment
Street Address	414 Walnut Street 115 Fifth Street
Property Condition	Office buildings currently sit mostly vacant; The Mercantile Library is in 414 Walnut Street.
Neighborhood	Central Business District
Incentive Application Process	Commercial CRA – Streetcar (Non-LEED)
Recent or other projects by Developer	Findlay Market Square
Approval at planning commission/Neighborhood support	Downtown Residents Council has submitted a letter of support
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



<b><u>Incentive Summary Category</u></b>	<b><u>Explanation</u></b>
Abatement Term and amount	15-year, net 59.5%
Construction Cost & Private investment committed	\$52,700,523 in hard construction costs, \$23,878,311 in soft costs; Developer has received a construction loan for up to \$33,000,000.
Sq. Footage by Use	124,302 – residential 47,103 – commercial 27,826 – office
Number of units and rental ranges	156 residential units Ranging from \$1,350/month- \$4,800/month
Jobs created/retained and payroll (living wage)	Projected to create 72 FTE positions at \$2,546,600 in annual payroll (avg. of \$35,369 annually per job)
“But For”	This project would not proceed without an abatement; the developer would lose money on the project post-construction with their projected ROI
Cash on Cash Return for developer (Market return between 8-12%, depends on investment risk)	Without Abatement: Year 5: - 1.88% (stabilized vacancy) With Abatement: Year 5: 2.6% (stabilized vacancy)
LEED or other environmental build	Non-LEED
Neighborhood VTICA	Streetcar VTICA – 7.5%, with payments beginning in year 10 of the agreement.
Total Public Benefit (Benefits Realized vs Taxes Forgone)	\$4.65 of new CPS/VTICA/Income taxes for each \$1 forgone
Projected Income Tax Revenue	\$3,374,333
MBE/WBE Goals	N/A
Transit Access/Walkability	Sits along Streetcar line near Fountain Square stop, one block from METRO’s Government Square hub   96 Walk Score
Geography	Located in an Opportunity Zone
Historic Preservation/Existing Building Renovation	This project will renovate two largely vacant office buildings and bring them back into use, as well as result in the expansion of the historic Mercantile Library.
Public Infrastructure Improvements	N/A

Rent	Affordable to Salary	City Jobs (Min Salary exceeds affordable salary)
\$1350.00	\$53,520	Building And Ground Maintenance Crew Leader, Assistant Parking Services Supervisor, Building and Grounds Crew Leader, Automotive Street Cleaning Equipment Operator
\$4,800.00	\$192,000	Director Level and Higher

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