

June 1, 2023

To: Mayor and Members of City Council

From: Sheryl M.M. Long, City Manager



202301515

Subject: Emergency Ordinance – Approving and Authorizing CRA Tax Exemption Agreement for 4024 Hamilton Avenue

Attached is an Emergency Ordinance captioned:

APPROVING, AND AUTHORIZING the City Manager to execute a Community Reinvestment Area Tax Exemption Agreement with Cincinnati Northside Community Urban Redevelopment Corporation and the Port of Greater Cincinnati Development Authority, thereby authorizing a fifteen-year tax exemption for 100 percent of the value of improvements made to real property located at 4024 Hamilton Avenue in the Northside neighborhood of Cincinnati, in connection with the remodeling of an existing building into approximately 5,100 square feet of commercial space, at a total construction cost of approximately \$1,202,560.

BACKGROUND/CURRENT CONDITIONS

The property, located at 4024 Hamilton Avenue, contains a vacant, 3-story historic building in the southern end of the Northside NBD, controlled by the Cincinnati Northside Community Urban Redevelopment Corporation, which is Northside's community development corporation that does business as NEST. The building was in a neglected and distressed condition prior to Neighborhood Business District Improvement Program (NBDIP) funding from the City for acquisition and stabilization to make it ready for renovation.

After the Northside Business Association (NBA) successfully acquired and stabilized the property several years ago, NBA agreed to transfer the property to NEST to pursue its full renovation and reuse with the goal of revitalizing and activating the blighted 4000 block of Hamilton Avenue. NEST then applied for, and secured, \$475,000 in additional public grants, while also securing a partnership with the Port of Greater Cincinnati Development Authority (Port) to co-develop the project and fully fund the remainder of the costs.

PROJECT OVERVIEW

NEST and the Port plan to co-develop the property to contain 5,100 square feet of renovated commercial space, at a total development cost of \$1,250,928. The developers have successfully secured a key anchor tenant, Dean's Mediterranean Imports, a local specialty grocer that is expanding to a new location and opening a restaurant with rear outdoor patio space. The developers will also be renovating the 2nd and 3rd floors to a "whitebox" condition to attract other commercial tenant(s) such as office users. The developers intend to make the space affordable and to prioritize small, local, and/or disadvantaged businesses during the tenanting process. At full leaseup, the project is anticipated to generate approximately 11 permanent FTE jobs, in addition to approximately 15 temporary jobs during construction.

The Port and NEST are self-funding the majority of the renovation costs, however in order to make the renovation financially feasible, the City would need to provide a commercial tax abatement in addition to a \$275,000 NBDIP grant. Additionally, Homebase Cincinnati has elected to provide a \$200,000 grant of ARPA dollars through the City's NBD Support Grant program to complete the 1st floor tenant's buildout and finishes. The various forms of public financial incentives are all necessary to close the financing gap.

During the acquisition and stabilization phase, the City provided \$270,000 in NBDIP grants. Factoring in the new NBDIP grant and the new NBDSG grant, the total all-in City funding in support of the acquisition and renovation of the property will total \$745,000. The total non-City funding provided by the Port and NEST will total \$775,928.

DEVELOPER INFORMATION

NEST and the Port will be co-developers. The Port will own the property during construction and will be responsible for constructing the project under a separate NBDIP funding agreement, while NEST will serve as the construction manager. After construction, NEST will purchase the completed project from the Port through an installment sale, and will be responsible for the leaseup of the remaining space and the property's long-term operation.

Formerly doing business under its legal name of Cincinnati Northside Community Urban Redevelopment Corporation (CNCURC), NEST is Northside's nonprofit community development corporation. NEST has successfully completed many projects in Northside, including numerous house renovations in target areas of the neighborhood for affordable homeownership. Since switching its focus from residential to commercial development, NEST partnered with Pennrose to successfully co-develop of John Arthur Flats, the first LGBTQ+ affirming senior affordable housing development in Cincinnati, containing 57 newly constructed apartments. NEST has also acquired the former Stagecraft building which it intends to renovate and reuse as residential or commercial space.

RECOMMENDATION

The Administration recommends approval of this Emergency Ordinance.

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 | Renovation of 4024 Hamilton Avenue |
| Street Address | 4024 Hamilton Avenue |
| Property Condition | Historic vacant shell |
| Neighborhood | Northside |
| Incentive Application Process | Commercial CRA application |
| Recent or other projects by Developer | NEST has renovated many Northside houses and co-developed John Arthur Flats |
| Approval at Planning Commission/Neighborhood support | Planning Commission N/A; Northside Community Council has issued letters supportive of the project |
| Plan Cincinnati Goals | Achieves the Compete Goal 2, particularly 'Focus Development on Existing Centers of Activity' (p. 116) and Sustain Initiative Area Goal 2 to 'Preserve Our Built History' (pages 197-198). |

Project Image



| <u>Incentive Summary Category</u> | <u>Explanation</u> |
|---|---|
| Abatement Term and amount | 15-yr CRA 100% (Net 59.5%). |
| Construction Cost & Private investment committed | \$1,202,560 in hard construction costs and \$48,368 in soft costs; developers are self-funding \$775,928 (private investment) |
| Sq. Footage by Use | 5,100 SF of commercial space |
| Number of units and rental ranges | No residential units |
| Jobs created/retained and payroll (living wage) | Projected to create 11 permanent FTE positions at \$500,000 in annual payroll. |
| "But For" | This project would not proceed without an abatement; the developers project negative cash flow without the abatement. |
| Cash on Cash Return for developer (Market return between 8-12%, depends on investment risk) | Without Abatement: Year 5: -5.63 % (stabilized) With Abatement: Year 5: 1.05 % (stabilized) |
| LEED or other environmental build | Non-LEED |
| Neighborhood VTICA | Neighborhood VTICA – 7.5% (for Affordable Housing) |
| Total Public Benefit (Benefits Realized vs Taxes Forgone) | \$2.30 of new CPS/VTICA/Income taxes for each \$1 forgone |
| City's ROI | \$9.75 of new CPS/VTICA/Income taxes for each \$1 forgone |
| Projected Income Tax Revenue | \$142,200 |
| MBE/WBE Goals | SBE Goal of 30% |
| Transit Access/Walkability | Next door to the Northside Transit Center, SORTA's 2 nd largest transit hub, connecting Routes 15, 16, 17, 19, 20, 23, 27 and 51 |
| Geography | Located in an Opportunity Zone |
| Historic Preservation/Existing Building Renovation | This project will activate and bring back to productive use a long-underutilized and blighted historic building. |
| Public Infrastructure Improvements | N/A |