

City of Cincinnati



August 31, 2020

To: Mayor and Members of City Council

From: Paula Boggs Muething, Interim City Manager

Subject: **FUNDING AGREEMENT FOR 954 EAST MCMILLAN STREET**

Attached is an Emergency Ordinance captioned as follows:

AUTHORIZING the City Manager to execute a Funding Agreement with WHRF Holdings III, LLC and Nassau Avenue Investments, LLC, providing for a forgivable loan of \$1,000,000 to support acquisition, demolition, and development of the former Kroger Site in the neighborhood of Walnut Hills; **ESTABLISHING** new capital improvement program project account no. 980x164x211635, "Walnut Hills Former Kroger Site," for the purpose of providing resources to facilitate the acquisition, demolition, and development of the former Kroger Site in the neighborhood of Walnut Hills; **AUTHORIZING** the transfer and return to source Capital Funds 757 and 858 of the sum of \$2,000,000 from various capital improvement program project accounts for the purpose of decreasing certain existing capital improvement program project accounts, according to Section 1 of the attached Schedule of Transfer; **AUTHORIZING** the transfer and appropriation of the sum of \$2,000,000 from the unappropriated surplus of Capital Funds 757 and 858 to new or existing capital improvement program project accounts for the purpose of providing resources for certain capital improvement program project accounts, according to Section 2 of the attached Schedule of Transfer; and further **DECLARING** certain herein described projects to be for a public purpose.

BACKGROUND/CURRENT CONDITIONS

The project is located at 954 East McMillan Street in Walnut Hills, near the intersection of Gilbert Avenue and East McMillan Street and the center of the neighborhood business district. The property is approximately 3.5 acres and includes the vacant Walnut Hills Kroger building. Kroger vacated the building in March of 2017. The building is surrounded primarily by surface parking.

To prevent undesirable commercial reuses at the pivotal site, the Walnut Hills Redevelopment Foundation (WHRF) acquired the vacant Kroger building in October of 2017. The land upon which the building stands was owned by a private individual and the improvement parcel was leased to WHRF. The City provided a \$300,000 loan to the WHRF for the acquisition.

The WHRF, in partnership with several community stakeholders, including the Department of Community and Economic Development (DCED), worked to bring a tenant into the building and bring it back into productive use to support the Walnut Hills neighborhood. Considerable efforts were made by the WHRF to reintroduce the provision of fresh and healthy food, however, no viable tenants were identified, primarily due to the difficult building characteristics and utility costs. Holding costs, including annual lease payments made to the land owner, continued to have a negative fiscal impact on the WHRF and its capacity to do its work.

In the fall of 2019, the WHRF assembled partners to discuss future plans for the building. The partners discussed approaching the land owner to acquire the land to unlock additional development opportunities at the site. The Model Group, who was involved in these initial discussions, agreed to pursue acquisition of the land, and successfully acquired the land in July 2020.

The WHRF (building owner) and The Model Group (land owner) have now formed a partnership to redevelop the site with a phased approach.

DEVELOPER INFORMATION

The WHRF is the Community Development Corporation for the Walnut Hills neighborhood. They lead and facilitate community engagement for many development projects in the neighborhood and have completed several development projects themselves including the redevelopment of Comfort Station and the stabilization of the Durner building.

The Model Group is a locally based real estate development and management company. They have completed projects throughout the city but have a strong presence in Walnut Hills. Recent projects include the Scholar House, Trevarren Flats, and the soon to be completed Paramount Building.

PROJECT DESCRIPTION

The first phase of the redevelopment of the site will be a predevelopment phase. This includes the already completed acquisition of the land by The Model Group, extinguishing debt of the WHRF from the building acquisition, terminating the lease, demolishing the vacant building, and constructing a 120-space temporary public parking lot while development plans are created in partnership with the community. The estimated total project cost is \$4.5MM, with \$2.85MM committed in private investment, as well as a \$700,000 loan from the Haile Foundation.

Anticipated future development of the site includes approximately 325 housing units, with a target of 30% of the units being affordable to households earning 50%-80% of the Area Median Income. Also included would be 57,000 SF of commercial space with a mix of retail and office uses, as well as 250 public surface parking lots. Total investment is targeted at \$70MM to \$100MM.

PROPOSED INCENTIVE

DCED is recommending a \$1MM interest only, forgivable loan. The source of the loan would be City capital funds. The term of the loan will be seven years and interest will accrue at one percent annually. The principal would be payable at the end of the term as a balloon payment. The first \$700,000 in principal would be forgiven upon completion of the predevelopment phase. The final \$300,000 in principal would be forgiven with the commencement of a first phase of redevelopment so long as the total project cost of the first phase is equal to or greater than \$10MM.

In addition to the new \$1MM loan, DCED is also recommending forgiving the previous \$300,000 loan to the WHRF for the acquisition of the improvements.

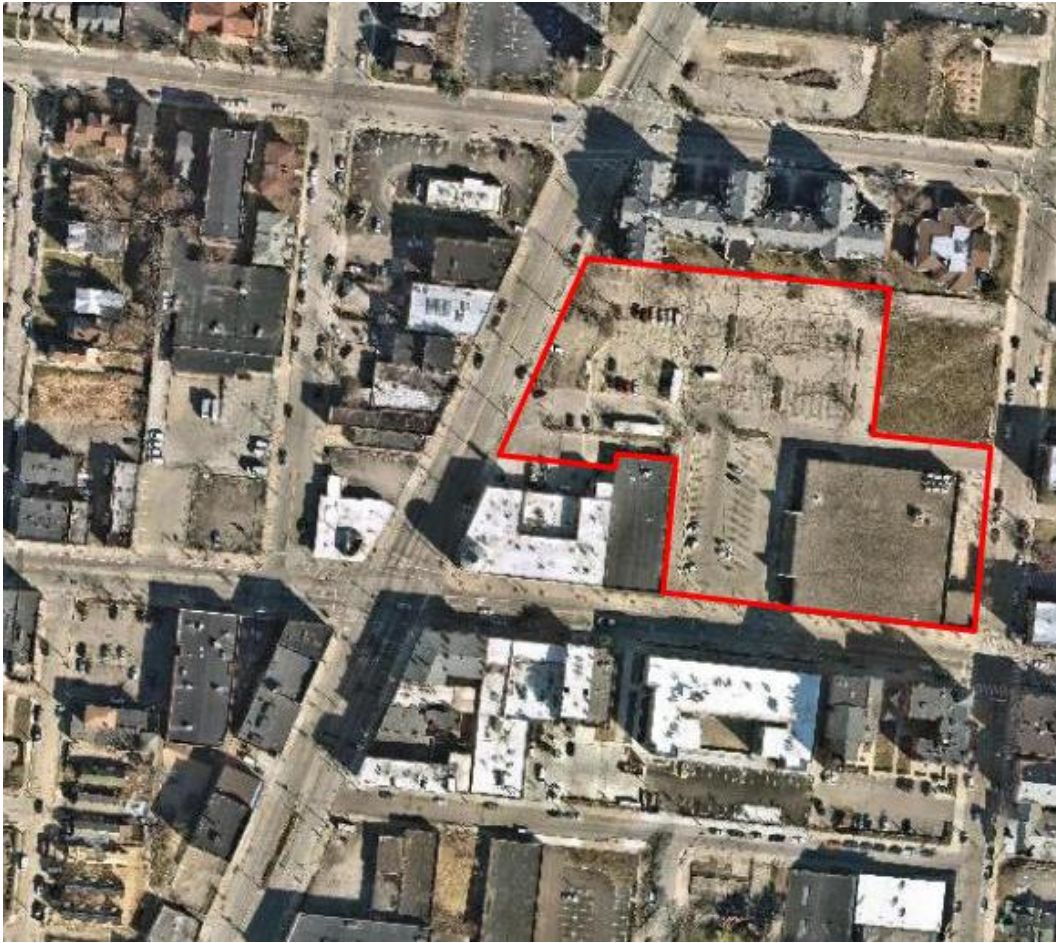
RECOMMENDATION

The Administration recommends approval of this Emergency Ordinance.

Attachment: A. Property location and photographs

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

Attachment A: Location and Photographs



Property Location



954 East McMillan Street