

City of Cincinnati



202000972

August 3, 2020

To: Mayor and Members of City Council

From: Paula Boggs Muething, Interim City Manager *CB for PBM*

Subject: **LEED-CRA COMMERCIAL TAX EXEMPTION FOR 2600 APARTMENT, LLC**

Attached is an Emergency Ordinance captioned as follows:

APPROVING AND AUTHORIZING the City Manager to execute a Community Reinvestment Area Tax Exemption Agreement (LEED or Living Building Challenge) with 2600 Apartments LLC, an affiliate of Uptown Rental Properties LLC, thereby authorizing a 15-year tax exemption for 100% of the value of improvements made to real property located at 2600, 2604, 2622, and 2624-2632 Short Vine Street and 4 E. Corry Street in the Corryville neighborhood of Cincinnati, in connection with the construction of approximately 2,128 square feet of commercial space and approximately 33,606 square feet of residential space, containing 27 rental units including one affordable unit, which construction shall be completed in compliance with Leadership in Energy and Environmental Design Silver, Gold or Platinum standards or Living Building Challenge standards, at a total construction cost of approximately \$6,357,217.

BACKGROUND/CURRENT CONDITIONS

2600 Apartments, LLC (an affiliate of Uptown Rental Properties) is proposing a split site project along the 2600 Block of Short Vine Street in the Corryville neighborhood. The properties include 2600, 2604, 2622, and 2624-2632 Short Vine ("Property"). 2600-2604 is currently a vacant lot located at the southeast corner of Short Vine Street and East Corry Street. 2622-2632 is a blighted building that has sat vacant for over a decade. This two-story building is one of the last remaining blighted properties in the revitalized Corryville business district.

DEVELOPER INFORMATION

2600 Apartments, LLC is an affiliate of Uptown Rental Properties. Uptown Rental Properties has over 25-years of development, construction, and property management

experience. Their primary focus has been the revitalization of the Corryville and Mt. Auburn neighborhoods. The developer has continued to value strong partnership with the City and communities in which they work.

PROJECT DESCRIPTION

The Developer intends to invest a total of approximately \$7,908,196 to acquire, demolish, and construct new one residential and one mixed-use building to LEED Silver standards ("Project"). The project will include approximately 27 apartment units with a combination of 1 to 5 bedrooms. Rents range from \$1,325-\$2,950. The developer as agreed to keep 1 unit at 80% AMI and not more than one-third of the occupant's income for the duration of the abatement.

The commercial storefront space is intended for a restaurant space that will create two (2) FTEs with an annual payroll of \$90,000. The project will also create forty (40) temporary construction FTEs at a total payroll of \$1,920,000.

In addition to creating jobs and housing, the development will remove activate two the few remaining blighted and/or vacant properties in the Corryville business district.

The Project and the proposed incentive supports the following 'Compete' and 'Live' items within *Plan Cincinnati*: Encourage "small and medium-sized local businesses to locate within centers of activity to help businesses grow and neighborhoods revitalize" ('Compete,' p. 116) and "provide a full spectrum of housing options, and improve housing quality and affordability" ('Live,' p. 164).

PROPOSED INCENTIVE

DCED is recommending a net 67% commercial tax abatement for a 15-year term.

Under the current tax abatement scorecard established by City Council, the Project would score 2 points based on achieving LEED Silver certification. However, for the below reasons, DCED considers the project to be an Undercapitalized Project in accordance with Section 3(c) of Ordinance No. 275-2017, as amended, pursuant to City Council's Commercial CRA policy, and so the recommendation is to provide the net 67% abatement notwithstanding the points determination.

The Project would not generate sufficient cash flow for the Developer to make the necessary investment without a net 67%, 15-year tax abatement. DCED wishes to encourage developers to undertake such difficult developments that create more and better housing units, including affordable units in keeping with the findings of the Balanced Development Report (Item #201901733), more specifically the City's lack of new housing supply relative to housing demand. The Project also benefits a neighborhood in need of many more jobs and quality housing units. The construction of these buildings will enhance the community of Corryville and transform a blighted property. For these reasons, an exception to the points determination is warranted.

SUMMARY	
Forgone Public Benefit if Project Does not Proceed	
CPS PILOT (Forgone New Revenue)	(\$642,210)
VTICA (Forgone New Revenue)	\$0
Income Tax (Forgone New Revenue)	(\$68,670)
Total Public Benefit Lost	(\$710,880)
Incentive Value	
Annual Net Incentive to Developer	\$86,925
Total Term Incentive to Developer	\$1,303,880
City's Portion of Property Taxes Forgone	\$251,165
Public Benefit	
CPS PILOT	
Annual CPS Pilot	\$42,814
Total Term CPS PILOT	\$642,210
VTICA	
Annual VTICA	\$0
Total Term VTICA	\$0
Income Tax (Max)	\$68,670
Total Public Benefit (CPS PILOT/VTICA /Income Tax)	\$710,880
Total Public Benefit ROI*	\$0.55
City's ROI*	\$2.83

RECOMMENDATION

The Administration recommends approval of this Emergency Ordinance.

Attachment: A. Property location and photographs

Copy: Markiea Carter, Interim Director, Department of Community & Economic Development *mc*

Attachment A: Property Location and Photographs

Property location



2622-2632 Short Vine Street

