

November 9, 2020

To: Mayor and Members of City Council **202002116**

From: Paula Boggs Muething, City Manager

Subject: **CRA TAX EXEMPTION AGREEMENT FOR THE ARTS  
APARTMENTS AT MUSIC HALL**

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Attached is an Emergency Ordinance captioned as follows:

**APPROVING AND AUTHORIZING** the City Manager to execute a *Community Reinvestment Area Tax Exemption Agreement* with BH New Arts, LP, thereby authorizing a 15-year tax exemption for 100% of the value of improvements made to real property located at 845 Ezzard Charles Drive in the West End neighborhood of Cincinnati, in connection with the remodeling of 21 buildings into approximately 170,300 square feet of residential space, consisting of 248 affordable units which will be rented to individuals earning at or below 60% of the Area Median Income, at a total remodeling cost of approximately \$11,118,302.

### **BACKGROUND/CURRENT CONDITIONS**

The Arts Apartments at Music Hall is located at 845 Ezzard Charles Drive in the West End neighborhood. The project consists of the renovation of 21 multi-family buildings spread over a seven-acre campus. The buildings contain a total of 248 residential units, of which 83 are currently restricted as affordable due to a Project-based Section 8 contract. The project is currently 92% occupied, but all current residents will return to their original units once repairs are complete. In October 2019, the project was awarded a loan of \$990,000 in CDBG funds through the Department of Community and Economic Development's Notice of Funding Availability (NOFA) program. Additionally, the project was awarded Low Income Housing Tax Credits (LIHTC) by the Ohio Housing Finance Agency. In August 2020, a CRA Tax Exemption application was submitted for the project.

### **DEVELOPER INFORMATION**

The developer, BH New Arts, LP is a subsidiary of Birge and Held, a national real estate firm headquartered in Indianapolis. The firm focuses on multifamily and

commercial real estate in the Midwest and Southeast, managing over 9,000 units and 35 properties. The Arts Apartments represents the firm's first property within the City of Cincinnati. Additionally, the developer has partnered with the local affordable housing nonprofit Over-the-Rhine Community Housing on this project.

## **PROJECT DESCRIPTION**

The project will invest \$11.1 million into multiple interior and exterior updates to improve all residential units and upgrade the appearance of the property. Each building will receive new roofing, windows, paint, and exterior siding treatments. All 248 units will receive new HVAC, flooring, and hardware as well as new plumbing and kitchen fixtures.

Of the 248 total units, there will be 93 one-bedroom, 125 two-bedroom, and 30 three-bedroom units. Currently, 83 units offer affordable rents under a Project-based Section 8 subsidy contract. This project will preserve the existing affordability by extending the contract for an additional 20 years and expand affordability to the remaining 165 units through LIHTC program requirements. All of the 248 units will be affordable to low-income households and all households will pay no more than 30% of their monthly income on housing costs. Project rents will range from \$615 to \$966 depending on unit size and rental subsidy. Area Median Income (AMI) targets for the project will be as follows:

- 25 units at 15% AMI
- 25 units at 30% AMI
- 50 units at 50% AMI
- 148 units at 60% AMI

Interior renovations will be phased so that tenants will be relocated to a nearby hotel for a maximum of five days while repairs are completed on their units. Upon completion of repairs, all residents will be returned to their original units.

During the term of the exemption, the City will realize \$2.92 in new income taxes for every \$1 of real estate taxes foregone by the City. The project will retain 6 full-time jobs and support the creation of 25 temporary construction jobs with total annual payrolls of \$395,260 and \$832,000, respectively.

This Ordinance achieves Plan Cincinnati's Live Goal 3 (pages 164-178) by providing a full spectrum of housing options and improving housing quality and affordability. Additionally, the project accomplishes Plan Cincinnati's Live Goal 2 (pages 156-163) of creating a more livable community by supporting and stabilizing a deteriorating property that is critical to the strength and success of the West End neighborhood.

## **PROPOSED INCENTIVE**

DCED is recommending a net 67%, 15-year CRA Tax Exemption. Pursuant to the Commercial CRA scorecard, this project qualifies for a 12-year, 52% CRA tax

abatement. The standard scorecard abatement level does not close the project’s financing gap created by maintaining such deeply-affordable rents for the duration of the LIHTC compliance period.

Council has the authority to award an exemption at any level and for any period up to 15 years. Therefore, Council may, in its discretion, approve the award of the DCED-recommended term based on the following project merits:

- Aligning the CRA term with the 15-year LIHTC period will preserve the project financial viability, and
- The project intrinsically accomplishes the goals of the VTICA as described in Ordinance 275-2017 by achieving the following objectives:
  - The project directly supports “affordable housing initiatives” by preserving 83 affordable housing units and adding 165 affordable units to the rapidly developing West End neighborhood.
  - The project contributes to “furthering urban redevelopment” in the West End neighborhood by improving 248 residential units in 21 buildings.

Based on these considerations of project need and public benefit provided to the City, DCED recommends the maximum term of a net 67%, 15-year CRA Tax Exemption.

<b>SUMMARY</b>	
<b>Incentive Value</b>	
Annual Net Abatement (Savings to Developer)	\$138,330
<b>Total Term Net Abatement (Savings to Developer)</b>	<b>\$2,074,957</b>
<b>City's Portion of Property Taxes Forgone</b>	<b>\$399,696</b>
<b>Public Benefit</b>	
CPS PILOT	
Annual CPS Pilot	\$68,133
<b>Total Term CPS PILOT</b>	<b>\$1,021,994</b>
Income Tax (Max)	<b>\$146,347</b>
Retained Permanent Jobs	6
Retained Affordable Housing Units	83
New Affordable Housing Units	165
Total Affordable Housing Units	248
<b>Total Public Benefit (CPS PILOT/VTICA PILOT/Income Tax)</b>	<b>\$1,168,341</b>
Total Public Benefit ROI	\$0.56
City's ROI	\$2.92

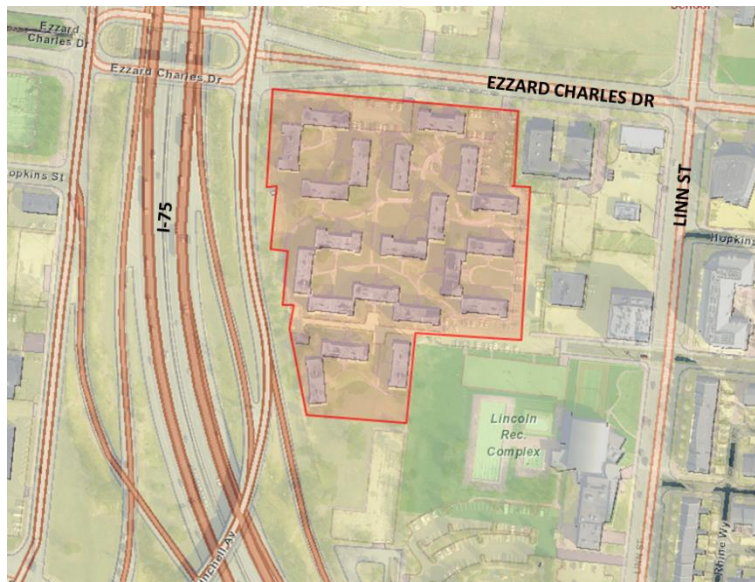
**RECOMMENDATION**

The Administration recommends approval of this Emergency Ordinance. This Ordinance is an emergency in nature so that the developer can adhere to a strict construction timeline, which will allow the project to secure the necessary capital to maintain its financing commitments.

Attachment: A. Property location and photographs

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

**Attachment A: Location and Photographs**



*Property Location, 845 Ezzard Charles Drive*

