

June 21, 2021

To: Members of the Budget and Finance Committee 202102342

From: Paula Boggs Muething, City Manager

Subject: **CRA AGREEMENT FOR GEST STREET DISTRIBUTIONS, LLC,
NEHEMIAH MANUFACTURING COMPANY LLC, AND THE
PORT OF GREATER CINCINNATI DEVELOPMENT AUTHORITY**

Attached is an Emergency Ordinance captioned as follows:

APPROVING AND AUTHORIZING the City Manager to execute a *Community Reinvestment Area Tax Exemption Agreement* with Gest Street Distributions, LLC, Nehemiah Manufacturing Company LLC, and the Port of Greater Cincinnati Development Authority, thereby authorizing a 15-year tax exemption for 100% of the value of improvements made to real property located at 979 Berlin Street in the Lower Price Hill neighborhood of Cincinnati, in connection with the construction of approximately 46,961 square feet of industrial space and approximately 2,939 square feet of office space, at a total construction cost of approximately \$3,630,000.

BACKGROUND/CURRENT CONDITIONS

For more than a decade, the City strategically acquired and prepared approximately 18 acres of land in Lower Price Hill, consolidated and commonly referred to as the Metro West Commerce Park (“Metro West”).

In January 2020, the Department of Community and Economic Development (“DCED”) issued a Request for Proposals (“RFP”) for the subject property. The RFP was awarded to Nehemiah Manufacturing Company LLC.

DEVELOPER INFORMATION

The Developer, Gest Street Distributions, LLC, is an affiliate of Nehemiah Manufacturing Company LLC. Nehemiah Manufacturing successfully redeveloped the adjacent site and relocated their headquarters to 1907 South Street in 2018. Al. Neyer has been selected as the general contractor for the project.

The Developer intends to enter into a transaction with the Port of Greater Cincinnati Development Authority (the “Port”) under which it will convey the property to the Port before undertaking construction of the project’s improvements, and the Port will lease the improvements to be constructed back to Developer.

PROJECT DESCRIPTION

The Developer plans to expand their existing facility by constructing a 49,900 square foot light manufacturing and office facility on the subject property at an estimated cost of \$3,630,000. The project will result in the retention of 101 full-time equivalent employees (“FTEs”) with a total annual payroll of \$6,675,000, the relocation and retention of 17 FTEs with a total annual payroll of \$543,500, and the creation of 15 FTEs with a total annual payroll of approximately \$450,000. The project will also result in the creation of 34 full-time temporary construction jobs with an associated annual payroll of \$1,490,000.

The proposed sale of property and the proposed vacation and sale of a portion of Summer Street were approved by the City Planning Commission on December 18, 2020.

The Department of City Planning hosted a public engagement meeting on the proposed sale of City-owned property and the proposed vacation and sale of a portion of Summer Street on May 26, 2021. No concerns about the proposed project were expressed.

PROPOSED INCENTIVE

DCED is recommending a 15-year, net 67% CRA tax exemption.

DCED is also recommending the sale of this City-owned property and the vacation and sale of a portion of Summer Street for \$1.00. This proposed incentive is outlined in a separate ordinance.

Pursuant to the Commercial CRA policy established by City Council, this project has committed to a 33% PILOT to Cincinnati Public Schools. DCED has determined that this project meets the qualifications of an *Undercapitalized Project*, as described in Section 3 of Ordinance 339-2018, passed on October 31, 2018, based on the following factors:

- Due to its history, this property requires significant pre-development costs related to environmental remediation.
- The feasibility of the project is dependent on the vacation of a portion of Summer Street, which has significantly increased the cost of the project.

Additionally, it is anticipated that this project will create new jobs, stimulate economic growth in the Lower Price Hill neighborhood, and restore the City’s Sale Property to a productive use.

SUMMARY	
Forgone Public Benefit if Project Does not Proceed	
CPS PILOT (<i>Forgone New Revenue</i>)	(\$333,669)
VTICA (<i>Forgone New Revenue</i>)	\$0
Income Tax (<i>Forgone New Revenue</i>)	(\$2,117,430)
Total Public Benefit Lost	(\$2,451,099)
Incentive Value	
Annual Net Incentive to Developer	\$45,163
Total Term Incentive to Developer	\$677,450
City's Portion of Property Taxes Forgone	\$130,496
Public Benefit	
CPS PILOT	
Annual CPS Pilot	\$22,245
Total Term CPS PILOT	\$333,669
VTICA	
Annual VTICA	\$0
Total Term VTICA	\$0
Income Tax (Max)	\$2,117,430
Total Public Benefit (CPS PILOT/VTICA /Income Tax)	\$2,451,099
 Total Public Benefit ROI*	 \$3.62
City's ROI**	\$16.23

*This figure represents the total dollars returned for public purposes (City/Schools/Other) over the benefit received

**This figure represents the total dollars returned for City/VTICA over the City's property taxes forgone

RECOMMENDATION

The Administration recommends approval of this Emergency Ordinance. The reason for the emergency is to accommodate the construction timeline of the Project.

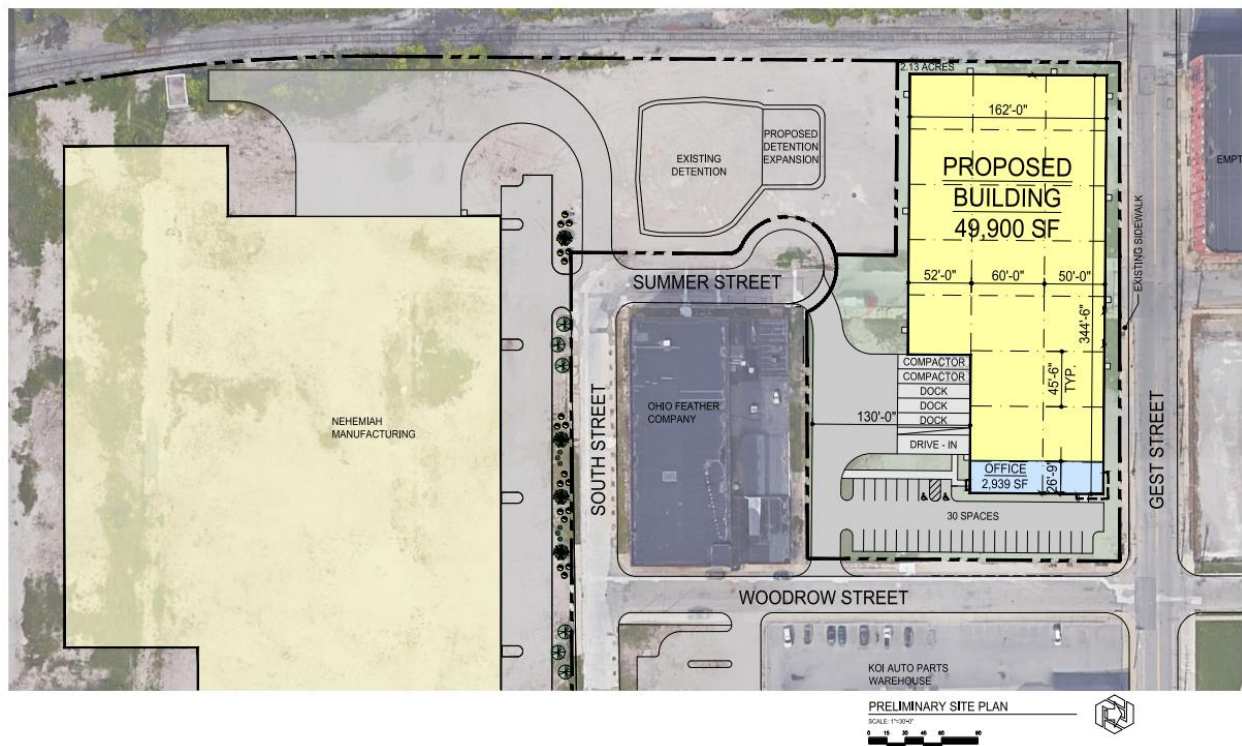
Attachment: A. Property Location and Site Plan

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

Attachment A: Property Location and Site Plan



Property Location - 1917-1933 Gest Street.



Site Plan