

Ordinance No. 737-2020

By Council Members: McCormack, Brancatelli and Kelley (by departmental request)

An emergency ordinance authorizing the Director of Economic Development to enter into a Tax Increment Financing Agreement with 75 Public Square, Ohio, LLC, and/or its designee, to support debt service related to the project and assist with the development of new market rate apartments, a restaurant, and retail space; to provide for payments to the Cleveland Metropolitan School District; and to declare certain improvements to real property to be a public purpose.

WHEREAS, under Section 5709.41 of the Revised Code, improvements to real property may be declared to be a public purpose where fee title to the real property was, at one time, held by the City of Cleveland and the real property is then leased or conveyed by the City; and

WHEREAS, pursuant to Ordinance authority, the City will have duly entered into the chain of title for the Property which is more particularly described in this ordinance (the “Real Property”) pursuant to the requirements of Section 5709.41 of the Revised Code prior to the passage of this ordinance; and

WHEREAS, the Real Property is to be developed in accordance with the Cleveland 2020 Citywide Plan, a copy of which is placed in File No. 737-2020-A; and

WHEREAS, under Section 5709.41 of the Revised Code, the improvements declared to be a public purpose may be exempt from real property taxation; and

WHEREAS, under Section 5709.41 of the Revised Code, the owners of the improvements may be required to make annual service payments in lieu of taxes that would have been paid had the improvement not been exempt; and

WHEREAS, under Section 5709.41 of the Revised Code, the exemption may exceed 75% of the improvements for up to 30 years when a portion of the service payments so collected are distributed to the Cleveland Metropolitan School District (“District”) in an amount equal to the amount the District would have received had the improvement not been exempt; and

WHEREAS, the District has been notified of the intent to enter into the agreement authorized by this ordinance in compliance with division (C)(4) of Section 5709.41 and Section 5709.83 of the Revised Code; and

WHEREAS, this ordinance constitutes an emergency measure providing for the usual daily operation of a municipal department; now, therefore,

BE IT ORDAINED BY THE COUNCIL OF THE CITY OF CLEVELAND:

Section 1. That the improvements to be constructed by 75 Public Square, Ohio, LLC, and/or its designee, (“Redeveloper”), are declared to be a public purpose for purposes of Section 5709.41 of the Revised Code (the “Improvements”). The Real Property is more fully described as follows:

75 Public Square, Cleveland, Ohio 44113

Situated in the City of Cleveland, County of Cuyahoga and State of Ohio and known as being part of Original Two Acres Lot Nos. 59 and 60, and bounded and described as follows:

Beginning on the Northwesterly line of Public Square, at a point 88 feet Southwesterly from its point of intersection with the Northeasterly line of Original Lot No. 60, which Northeasterly line is also the Southwesterly line of Ontario Street; thence Northwesterly on a line parallel to said Southwesterly line of Ontario Street, 168.75 feet; thence Southwesterly on a line parallel to the Northwesterly line of Public Square, 79.75 feet to the Northeasterly line of West 2nd Street; thence Southeasterly along the Northeasterly line of West 2nd Street, 168.75 feet to the Northwesterly line of Public Square; thence Northeasterly along the Northwesterly line of Public Square, 79.75 feet to the place of beginning, together with all of Grantor’s right, title and interest, if any, to the streets and alleys abutting the above premises, be the same more or less, but subject to all legal highways.

PPN: 101-07-019

Section 2. That one hundred percent (100%) of the Improvements are declared exempt from real property taxation for a period of thirty years, effective and commencing the first year the value of the Improvements are reflected on the tax duplicate; and that in no event shall the exemption period extend beyond 2053. The terms of the agreement, which shall not be materially changed without further legislative action by Council, will be as follows:

Project Name:	75 Public Square
Project Address:	75 Public Square, Cleveland, OH 44113
Developer:	75 Public Square Ohio, LLC and/or designee
Project Manager:	Anthony Svoboda
Ward/Councilperson:	3 – Kerry McCormack
City Assistance:	Non-School TIF

Project Summary and Discussion

75 Public Square Ohio, LLC or designee (“Developer”), an entity of The Millennia Companies, is proposing to redevelop the historic building located at 75 Public Square, Cleveland, Ohio 44113 (“Project Site”). In order to assist with project financing, the Developer has requested the City impose a 5709.41, 30-year, Non-School Tax Increment Financing (TIF). The TIF will support debt service related to the project and assist with

the development of approximately 114 new market rate apartments, a 3,060-square-foot restaurant, and 1,250 square feet of retail space. The Project will create and/or cause to create 13 new full-time equivalent jobs with an approximate annual payroll of \$270,000. The total project investment is expected to exceed approximately \$41.9 million.

The Developer is a subsidiary of The Millennia Companies. The Millennia Companies is a full-service real estate and property management company based in Cleveland, Ohio. Established in 1995 by Frank T. Sinito, Developer works in all facets of real estate development, from property management to construction and development. Their portfolio consists of over 275 multi-family residential communities, servicing more than 30,000 apartments nationwide. In 2017, The Millennia Companies led the acquisition and restoration of the Key Tower complex in Downtown Cleveland, making a significant impact on the Downtown commercial real estate market.

Proposed City Assistance

- This ordinance will authorize the Director of Economic Development to enter into a 30-year non-school Tax Increment Finance (TIF) agreement with 75 Public Square Ohio, LLC or its designee. The City will declare certain improvements with respect to the project to be a public purpose and exempt 100% of the improvements from real property taxes.
- The Developer agrees to make certain improvements to those parcels and making payments in lieu of taxes (PILOTs) equal to the taxes that would have been paid for those parcels but for the TIF. A portion of the PILOT will be paid to the Cleveland Municipal School District in the amount the District would have otherwise received but for the TIF (“District Payments”).
- The balance of the PILOTs will be utilized to fund eligible project costs and project debt. The Developer will be responsible for any shortfall of PILOT payments for project costs.
- The TIF will be immediately effective on the residential portion of the Project after the expiration of the 15-year 100% tax abatement for new residential construction.

Economic Impact

- Creation of 13 new full-time jobs in the City of Cleveland
- Project estimates \$135,000 in new annual City tax revenue generated from residents and new employees.
- The City estimates that this project will generate approximately \$323,924 in additional annual tax revenue for Cleveland Metropolitan School District upon stabilization.

City Requirements

- Subject to Chapter 187: MBE/FBE/CSB requirements
- Subject to Chapter 188: Fannie Lewis Cleveland Residential Employment Law
- Subject to a Workforce Development Agreement for all new jobs
- Subject to a Community Benefits Agreement

Section 3. That, under Section 5709.41 of the Revised Code, Redeveloper, or the owners of the Improvements, shall make service payments for a period of thirty years in lieu of the exempt taxes to the Cuyahoga County Fiscal Officer or Treasurer, or designee; the payments shall be charged and collected in the same manner, and shall be in an amount not less than the taxes that would have been paid had the Improvements not been exempt from taxation.

Section 4. That a portion of the service payments collected under this ordinance shall be distributed by the Cuyahoga County Fiscal Officer or Treasurer, or designee to the Treasurer of the District in the amount of the taxes that would have been payable to the District had the Improvements not been exempt from taxation.

Section 5. That the Director of Economic Development is authorized to enter into an agreement or agreements with Redeveloper to provide for the exemption and service payments described in this ordinance, including agreements securing the payments described in this ordinance, which agreement or agreements shall contain those terms contained in this ordinance.

Section 6. That when applicable under Section 5709.43 of the Revised Code, there is established an Urban Redevelopment Tax Increment Equivalent Fund into which shall be deposited Service Payments in Lieu of Taxes (“PILOTS” or “Service Payments”) that shall be used for financing the public purpose Improvements including project debt service, bond payments, and reimbursement of project construction costs, or for other economic development purposes as determined by the Director of Economic Development.

Section 7. That it is found and determined that all formal actions of this Council concerning and relating to the passage of this ordinance were adopted in open meetings of this Council, and any of its committees that resulted in formal action were in meetings open to the public in compliance with the law.

Section 8. That this ordinance is declared to be an emergency measure and, provided it receives the affirmative vote of two-thirds of all the members elected to Council, it shall take effect and be in force immediately upon its passage and approval by the Mayor; otherwise it shall take effect and be in force from and after the earliest period allowed by law.

Referred to the Directors of Economic Development; City Planning Commission; Finance; and Law; Committees on Development, Planning and Sustainability; and Finance.